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JULY 23, 1932

World Monetary Crisis Impends

By HAROLD FISHER

Branch Factories Abroad—A Fiasco in Over-Expansion

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WITH THE EDITORS

Financial House Cleaning Must Continue

THE staggering speculative losses involved in this depression have quite naturally left a considerable section of the public with a keen feeling of resentment against Wall Street and the Stock Exchange. Speculation is almost as old as mankind. It does unquestionably serve a useful economic function, and yet its processes in their very nature are subject to abuse and probably always will be abused as long as human nature is what it is. As always, the speculative boom of 1929 irresistibly attracted countless thousands of amateur traders with little or no knowledge of what they were doing.

Our economic system is one of individualism, but it is extremely difficult for any of us to place the blame for mistakes upon our own folly or misjudgment. We prefer to charge up our losses, somewhat vaguely, to the wicked machinations of Wall Street. This psychology partly accounts for the clumsy investigation of the stock market now being conducted by a Congressional committee.

Nevertheless, it will not do for larger and more responsible financial interests to ignore the public's critical attitude. There is much justification for that attitude. A fool and his money may soon be parted under any circumstances, but it is nonetheless the imperative obligation of those who conduct the nation's security business to put it upon the highest possible code of social morality and fair dealing.

The Stock Exchange recognizes this general obligation. It has in the last several years introduced a variety of reforms. Most notable recently is its tightened restrictions upon the conduct of its specialists. We believe that a private institution possessing autocratic powers over its members can control those members in the public interest much more effectively than could be done under any system of government regulation. We believe, further, that once the markets were open to any degree of political influence the abuses which spring from the greed inherent in human nature would be greater than ever.

Yet this is by no means to endorse the present system as perfect. It is far from that. The revelations of pool manipulations and other abuses brought out by the Senate committee will surprise no informed person. They have occurred in every bull market. Yet the investigation will serve a useful purpose if the pressure of public opinion which it brings about will stimulate the Stock Exchange to greater diligence in purging itself from abuses.

We believe that no member brokerage firm should be permitted knowingly to engage in any pool operation. We believe that no floor member should be permitted to direct the operations of a pool. However difficult, we believe the Exchange should make every effort to discourage the pool operations even of private traders. They are little more than legal swindles. We believe no member firm should be both underwriter and commission agent. This distinction should be so clearly drawn that even an inexperienced speculator will have a reasonable chance of knowing the true character of the firm he is dealing with. We believe that, even as at present restricted, the "customer man" system is fundamentally bad and that its essential purpose of promoting activity—business for the broker—is against the real public interest. We believe that the encouragement, open or tacit, of over-speculation and pyramiding by inexperienced traders is inexcusable.

These are some of the reforms that the Stock Exchange must look to if public opinion is to be appeased and if public confidence in Wall Street is to be maintained.

Coming Features of Importance

Mid-Year Dividend Prospect of Leading Stocks

In the August 6 issue

Railroads | **Equipments** | **Public Utilities**

In the August 20 issue

Steels
Metals

Foods
Petroleum
Chemicals

Automobiles
Merchandising

Signs of Business

THE prevalent tendency to over-emphasize unfavorable business news has obscured many unmistakable signs of fundamental improvement and evidences of success in combating depression that have appeared during the last few months. There are many instances of depression successfully combated and readjustments made to new conditions. Among the most significant are:

—*the farmer,* representing close to fifty million people, has substantially bettered his position. Increased diversification of products brings him the essentials of life—and more favorable prices for excess production, of which the doubling in the price of hogs is an instance, adds millions to farm income.

—*sugar and oil,* whose difficulties antedate the collapse of 1929, face brightening prospects. Improvement in price for the former, and the courage to restrict production on the part of the latter, should result in a substantially better second quarter for both industries.

—*small businesses* are forging ahead. Low overhead and the ability to show profit on small orders which are currently the rule, has given the small enterprise new opportunity with a telling effect in the aggregate.

—*larger corporations* are also beginning successfully to meet current conditions as shown by the instances quoted below.

In short, business may be down but it is by no means out—and there are many signs which indicate that it is trying to struggle to its feet. We present some of these signs in this first of a series of editorial features and will continue in subsequent issues to give the good news the "break" that it deserves.

Earnings Turn Up

First National Stores—Record High Earnings—Earned $5.52 a share year ended March, compared with earnings of $5.03 preceding fiscal year.

Pure Oil Co.—Profits for the months of April and May were over $1,500,000 in excess of the same months in 1931.

Coca - Cola International—Earned $3.06 a share in the first quarter this year, as against $2.87 a share in first quarter of 1931.

Crown Willamette Paper Co.—Earned $2,233,926 during the year ended April 30, as compared with $1,893,630 in the preceding year.

International Power Co.—Net profit for 1931 was $568,827, as compared with $563,763 during 1930.

Reading Co.—For the five months ended May 31 amounted to 45 cents per share compared to 24 cents for the same period of 1931.

Amerada Corp.—Earnings better than last year; earned 29 cents a share first quarter this year compared with 7 cents last year, first half report should show even better results.

Earnings of the **American Tobacco Co.** for the first 6 months of 1932 are reported not only ahead of the same period last year but are likely to be the highest in the company's history.

Gillette Safety Razor—Earned 66 cents a share first quarter against earnings of 52 cents a share first quarter of 1931.

Graham Paige—Earned 5 cents a share first quarter, compared with a loss of 16 cents a share first quarter of last year.

International Business Machine—Earned a record net of $1,894,000 for the first quarter of 1932, and earnings of $5 per share are predicted for the first half.

International Hydro-Electric—Earnings reported running at the rate of about $3.60 a year at present; earned $3.17 a share full year 1931.

Pacific Gas & Electric—Earnings per share on the preferred stock were greater than any previous year.

Philip Morris & Co.—Earned $1.20 a share year ended March 31, 1932, compared with $1 a share previous fiscal year.

Northern States Power of Del.—Earned $9.20 year ended March 31, compared with net of $8.26 a share year ended March 31, 1931.

Ohio Oil Co.—Earned 12 cents a share first quarter this year, compared with deficit of 10 cents a share first quarter of 1931.

New York, Ontario & Western—Earned 30 cents a share first

Progress

quarter, compared with deficit of 4 cents a share in first quarter 1931, traffic continues to improve compared with last year and net should become greater.

United Electric Coal Companies—Earned $1.02 a share for nine months ended April 30, this year, compared with 46 cents a share earned nine months ended April 30, 1931.

Monsanto Chemical—Earned 64 cents a share in the first quarter of 1932, compared with earnings of 59 cents a share in the first quarter of last year.

Industrial Rayon—Earned $1.23 a share first quarter of 1932, compared with only 9 cents a share first quarter 1931.

Record Sales

based on

—a good product

—good advertising

—good salesmanship

Kelvinator shipments during May, 1932, were 17% greater than for the same month last year.

For the first five months of 1932 sales of Chase and Sanborn coffee, a product of **Standard Brands,** were more than 50% ahead of last year.

During the week ending June 18 **Plymouth** shipments totaled 6,700—an increase of 161.5% over the same period last year. For the year ending July 6 Plymouth sold 197,266 cars, about three times as many as in the preceding year. During the week ended June 25 **De Soto** sold 2,008 cars—more than 10% better than in any previous week and 100% better than last year.

Stabilized Base

North American Co. reports that the usual seasonal decline in electric output has not been noticeable so far this year. Average weekly output of subsidiaries was 81,500,000 kilowatt-hours for the second quarter and output for the year ending June 30 was only 5½% below the previous year.

Westinghouse Electric & Manufacturing Corp.—Deficit first quarter cut to $1,320,148 on sales of $20,377,948, compared with deficit of $2,885,945 on sales of $28,476,175 in the first quarter of 1931.

American Ice—Deficit in first quarter this year was only 22 cents, compared with large first quarter deficit last year of $2.09.

American Rolling Mills—Deficit 36 cents first quarter this year, compared with larger deficit of 41 cents in first quarter of 1931.

Calumet & Hecla—Deficit smaller; loss 19 cents a share first quarter this year, compared with 37 cents a share in 1931 first quarter.

Standard Brands (Packaged Foods)—Earnings stable—earned 30 cents a share in the first quarter of this year and in 1931 first quarter.

Adolf Gobel (Meats) — Deficit smaller; loss 43 cents a share, compared with loss of 81 cents a share for 6 months ended April, 1931.

General Mills—Earnings for the year ending May 31, 1932, are reported to be approximately the same as for the previous year when preferred dividends were covered more than two and one-half times.

Curtiss-Wright Corp. — Deficit first quarter only 4 cents a share, compared with $2.06 in first quarter 1931. Better outlook for balance of the year.

Success in Exploiting New Products

Canada Dry's new fountain syrup has enjoyed steadily increasing sales since its introduction early this year. 15,000 dealers have been secured.

Remington Rand, Inc., has brought out a noiseless portable typewriter. The factory recently reported that they are twelve weeks behind on the production of the new model.

Launching New Products

Air-conditioning and cooling equipment for industry and the home is being launched by several wide-awake companies including: **General Motors, General Electric, American Radiator, Pullman, Holland Furnace** and **Carrier Engineering.**

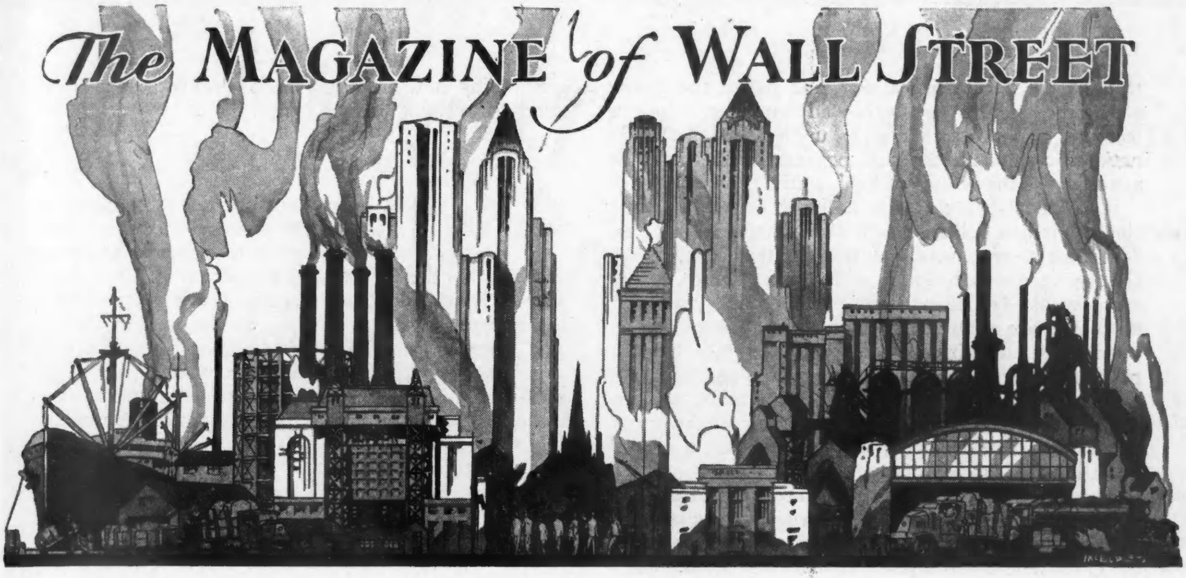
General Houses, Inc., has been formed to make preliminary construction and marketing studies for a $3,500 steel house. **General Electric, American Radiator, Pittsburgh Plate Glass, Pullman** and others are said to be interested in the company.

Burroughs Adding Machine Co. lost no time in introducing a new bank ledger posting and statement machine for banks to handle the new tax on checks.

Over-Production Correcting

Procter & Gamble Co. has informed employees that customary semi-annual shut down for overhauling of plants for first half of July had been postponed indefinitely. Inventories normal with exception of toilet soaps which were considerably below average.

From the **American Can** statement when voting the regular dividend: "Canned goods stocks are low and markets firming up. This should help volume. Based on contracts already made and on past experience, the rest of the year should show profits less than last year but substantial."



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Investment and Business Trend

Utilizing Unemployment—More Money and More Business—Back to Gold—A Ray of Light?—Speculation Is Liquidated—The Market Prospect

UTILIZING UNEMPLOYMENT

GOVERNOR ROOSEVELT'S proposal that a million men be put to work on reforestation may be unworkable but the principle is sound. If this country has got to support and care for large numbers of men, either temporarily or permanently, it ought as far as possible to give them an opportunity to earn their keep at useful work. The charity aspect ought to be eliminated as far as possible. There is an immense amount of work to be done in this country outside of regular business or public service channels. Public and private forests everywhere need cleaning up in the interests of forest fire prevention. Brush, slash, dead and diseased trees should be removed. Fire lanes are needed, and trails and roads. There is scarcely a county in the country that does not need some work on its public roads of a manual nature; so also with parks, recreation grounds, stream channels, drainage ditches, fences, railroad rights of way. In times past it has even been proposed that work armies be regularly maintained solely for the purpose of giving all young men a turn at useful manual labor.

Could not a large part of the 300 million dollars the Federal government is going to lend the states for unemployment relief be applied in this way? Idleness is not the least of the evils of unemployment. Millions of good men are losing their morale. Regular useful work in the open air would help them to retain their self-respect and moral and physical health. While their work would be useful, the fact that it is not the sort of work that is commercially productive or absolutely necessary would not interfere with existing business or employment. It would not be public work for the sake of making work, but would be the substitution of employment for unemployment by means of the expenditure of funds that are going to be spent in any event. The country would reap social benefits for which it would be paying and the men so assisted would be benefited beyond the mere provision of shelter and subsistence.

MORE MONEY AND MORE BUSINESS

AS a sop to the raging demand for plenty of money, Senator Glass, who is about as inflationary as a steel pipe, offered a bill to give circulation privileges to certain Government bonds. As a rider to the Home Loan Act it went

through the Senate like a shot, and passed the House after much debate just before adjournment. Such a measure might have ulterior unpleasant effects on national credit and the gold position but it might be a starter for the revival of bank credit.

It is calculated that the national banks can issue almost a billion dollars' worth of additional bank notes, depositing Government bonds with the Treasury as security for the redemption of the notes, which in any event would be retired at the end of five years. If the banks are right when they say that there are no demands for legitimate credit they will not use the privilege. If they are wrong the privilege will give them a splendid incentive to alter their lending policies. Besides, a large quantity of new money might smoke out some of that billion or more dollars that is alleged to be hoarded.

The bank notes that might be issued would be potential credit inflation but not governmental inflation of the currency as in the case of legal tender printed by the Government and used to meet its obligations. They would not truly constitute credit inflation if they were availed of only for the financing of legitimate, self-liquidating commercial operations—and commercial banks are supposed to do nothing else. But after all, what this country needs is not more money but more business. Legislation cannot bring this about. Only business can generate business. That it will do when it thinks it will be profitable—and not before. The thinking may be dilatory and laggard. When it starts, it can be speeded up by whip and spur, but when it is balky, nothing avails.

BACK TO GOLD

NOW that there begins to be some prospect that the world after losing its economic shirt is going to get down to business on a brass-tack basis, the Bank of International Settlements reminds the nations that they had better begin to lay their plans to go back to the old, reliable gold standard. This is sound advice. There is nowhere else to go. The gold standard is the result of hundreds of years of monetary evolution. Admittedly it is an imperfect standard. It will take a long time to develop something better. But while the economists and the statesmen are working out something better there is nothing for the world to do but use the only standard that has ever been practically universal. The starvation period which has beset the whole world will kill off the abnormalities that made the gold standard unworkable in many countries. Then the gold standard will work as well as it ever has. It is certainly far better than exchange chaos of managed or unmanaged currencies. It has been rather definitely established that there is sufficient gold in the world, if it is economically utilized, to support credit and currencies for many years to come. There is plenty of time in which to devise something better. If, with the return of normality, price levels do not equitably rise, it is quite possible to step them up by reducing the gold content of the monetary units. The great thing now is to get back quickly to a general standard of value and exchange.

A RAY OF LIGHT?

IN these gloomy times it is justifiable to grasp at straws. Sooner or later one will prove to be firmly anchored and upon its slender stem we may creep to better days. The lowly hog, doubling in price within a few weeks, has brought hope to the Iowa farmer and the West. The price of cattle likewise is higher. Sugar, whose depression is old, has made an upward turn of at least tentative significance. Petroleum prices are higher. The cotton market is doing moderately better. In the main such price gains as have occurred center in agricultural commodities. That is as it should be for these goods have had the worst decline and improvement in farm purchasing power undoubtedly is the development most needed to bring on business revival. The gains are too small and have been maintained for too short a period to be convincing. Nevertheless they are hopeful. They have resulted in the sharpest advance of the general commodity price average of the past two years. This is the outstanding index upon which to pin our hopes, if not our faith, during coming weeks.

SPECULATION IS LIQUIDATED

TO countless thousands of individuals speculation, now recognizable as having been rash beyond all precedent, offered a dream of riches in 1929. At the height of the mania, marginal speculators had indebted themselves to the enormous extent of 8,500 millions in betting upon the future. A virtually complete reckoning has now been had. As marginal speculation never before mounted so far, never before has it been deflated so fast and so far. The 8,500 millions of brokers' loans outstanding at the peak of such borrowing in 1929 has now been deflated to but little more than 300 millions. It is apparently inevitable under our economic system that old debts must be liquidated before confidence can be recreated for establishment of new debts. Regardless of the merits of individual thrift, collectively we seem to have to go into debt—that is credit expansion—if we would have thriving business. The banks are not yet ready for this, but direct loans for speculative purposes are at so low a point that the next major change can only be upward.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 394. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, July 18, 1932

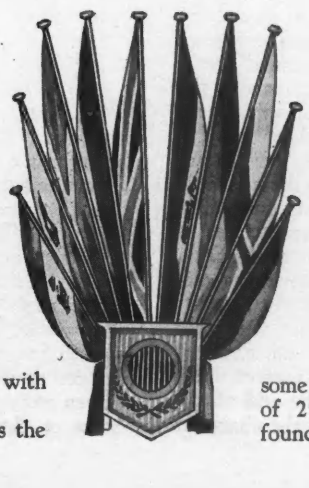
As I See It — *By Charles Benedict*

Lausanne a Real Settlement?

WHEN the Hoover Moratorium on international debts was declared a year ago last June, the world's immediate response was enthusiastic acclaim. In the ensuing weeks, while France dallied and withheld her ratification, the high hopes of economic recovery expected from a lifting of the debt burden were dashed to the ground. But the erroneous belief that international debts were at the core of economic depression persisted. Even though a year's relief from payment witnessed further descent into the slough of depression, debt settlement was still regarded as the key to prosperity and all eyes turned to Lausanne.

This time France surprised everybody by a reversal of her attitude, manifesting an unexpected conciliatory spirit. But could she do otherwise, faced as she was with the inescapable realization that if large concessions were not offered, Germany would defiantly repudiate? What would the French position be then? Invasion of German territory would too closely approximate war to gain popular support at home. Yet pacific acceptance of a Teutonic refusal would impair her position as a creditor with other nations throughout the world. Was it not then the part of wisdom to take what she could get, be it only her share of 714 million dollars, when as and if Germany could raise the money? England with the characteristic foresightedness of British diplomacy saw the commercially desirable effects of a settlement of the dangerous and ubiquitous reparations problem once and for all; and lent the force of her logic and persuasion in France's dilemma-born choice.

If the Conference had then dissolved forthwith, a very different chapter might have been written in world history. Europe would have solved her vexatious debt problem, confidence would have been restored and errant capital would have returned to Germany, reviving her industry and trade, and permitting the discharge of her private debts. But in the back of Allied minds was the thought of their debts to the United States. This was undoubtedly the genesis of the gentleman's agreement which qualifies the settlement, delays parliamentary ratification and conditions the whole agreement on American cancellation or a decisive scale down of indebtedness.



The gentleman's agreement, together with the entente with Great Britain, insures a united front in future bargaining with America, turns defeat for France to political victory, gives Britain a wealthy ally at the time of her greatest need, but implies such delay as may spell ruin for Germany. Capital will hardly flow back to German enterprises before genuine ratification of the Lausanne Agreement is an accomplished fact; and in the meantime the financial debacle of Germany along with Central Europe hangs in the balance.

Of the greatest concern to us, of course, is the prospect that the United States will be expected to shoulder the financial burden of all the sacrifices made. In this regard, however, no immediate action is expected.

With the adjournment of Congress, the earliest that the question of international debts can arise here is December 15, when the first payments of France and England are due since the Hoover Moratorium ended. If the present Administration is returned to power in November some action on the debt question may be forced soon after. The present temper of the Senate is, of course, inimical to cancellation and the President's recent letter to Senator Borah expresses resentment at the suggestion that a united Europe may attempt to force the issue. Nevertheless, it will be hard to retract from the agreement reached between President Hoover and Premier Laval last year, by which France was given a free hand in settling the thorny questions of a discordant Europe, and then come to the United States for adjustment. Moreover, a lump sum settlement may be strongly appealing to a deliberate Republican Administration, facing the increasing demand for more economical government operation.

If the Democrats win in November, it is unlikely that President Hoover will commit his successor to any form of debt settlement and may simply declare a further moratorium until the spring of 1933 or later.

Looking at the question shorn of these political possibilities, and in its broader long term aspects there is considerable to commend a policy of delayed adjustment, not only until next year but until more normal times prevail throughout the world. Why then should we hasten to settle now? The Allies are not in the same dire straits as Germany in which reparations had become a great political as well as a financial, issue. Moreover, if the present depression is reversed by a decided upward revision of prices as some observers believe probable, in five years, or three years, or perhaps much less time, the whole aspect of debt payment would be altered. What is now considered burdensome and unjust as a result of the great differential between world prices when the debts were contracted and those now prevailing would then be no more than fair and equitable. We are not receiving anything now—our position as that of the rest of the world will remain unaltered if a united Europe adds an outright repudiation to the present status. And repudiation is most unlikely. Europe herself would shrink from its world-wide implications, and the ensuing destruction to various national credits. Therefore, if we await the opportunity for calmer appraisal of the debt question in the light of less ominous economic circumstances, some more favorable basis than the direct loss of 250 million to American taxpayers may be found.

Reluctance of Prices to Recede on Unfavorable Developments or Rally Appreciably on Good News an Outstanding Feature of Late Phase of Bear Market.

Upward Emergence From Current Levels Depends on Improvement in Underlying Business Trend.

Market's Resistance Increases

By A. T. Miller

EVEN the smallest of rallies is gratefully received in Wall Street these days, although it may represent little more than the temporary correction of an oversold position. At this writing the market has attained the highest level of a fortnight, penetrating, on slightly increasing volume, the resistance levels at which four incipient rallies had previously been halted.

Rising prices, however moderate, always bring a sudden improvement in speculative sentiment. Prostrate hopes once more rise and the market's favorable technical signals are widely emphasized. With this attitude, no quarrel need be had. On technical grounds alone, having in mind the large aggregate decline since March, intermediate recovery may conceivably go somewhat further. It is to be hoped that it will.

Corporate Earning Power Low

Yet it is the part of prudence to bear in mind that the fundamentals which determine stock values have not suddenly changed. The most important of those fundamentals is corporate earning power. For the vast majority of companies this has not yet improved and there are no tangible signs of an early change in trend. The third quarter earnings promise to be definitely poor.

It seems probable that many stocks are cheap on a long-term basis, but few are cheap on a current basis. Since the longer future is necessarily vague, the difficulties and dangers of the present cannot lightly be ignored. The appraisal of real values was never more difficult than at present.

Almost instinctively, there is an inclination to regard the decline of the last four months as having been excessive, as having run beyond the point justified by actual conditions. On each acute phase of deflation throughout the bear market it has been easy to accept this reasoning, only to have later events prove that the market had been behind, rather than ahead of, the realities. At some point, of course, prices *will* have gone to excess, but there is little more assurance in such a guess now than heretofore. The investor who does not wish to hazard further guesses as to a depression which has thus far baffled all forecast has only two courses open. One is to await convincing evidence of a business revival. At times in the past this has developed in advance of stock market revival. At other times it has lagged behind the market. The alternative is to await a reliable technical signal from the market itself.

It may be that we are sufficiently near the end of the depression to make it worth while to consider the character of the awaited technical signal. Always in the past the concluding phase of major bear markets have been marked by extreme apathy and by a flattening out of fluctuation. Although pessimism is rampant, dividends are being passed and company after company is in financial difficulties, the market appears stolid. It declines little or not at all on bad news. It appears unable to rally significantly on good news. Its condition is one of inactivity and equilibrium. The price movement is represented by a sideways line lasting over a period of weeks or months.

It is a definite upward emergence out of this level that only can supply the signal of a change in underlying trend. The faster the initial rally, the less likely it is to prove real, for the genuine reversal is gradual and cautious. It is likely to consist of a series of irregular rallies and reactions. If a genuine change, the net movement will carry prices gradually higher and the reactions will both fall short of penetrating previous lows and will involve a further shrinkage of activity.

The buyer who awaits either the reliable business signal or the market signal will necessarily fail to obtain the lowest possible prices, but the premium to be paid will be cheap insurance against loss. The chances are that the current rally may have reached its peak before this article is published. It has followed only two weeks of price equilibrium. It need hardly be said that in a deflation which has lasted nearly three years a fortnight of stability is altogether too short a test to be convincing. Considering the vast proportions of the major movement, it is much more logical to assume that the flattening out process—the interval between bear and bull markets—will prove more than usually protracted.

Period of Weeks Necessary

As a practical speculative matter, however, the point is unimportant. No safe judgment can be formulated until the interlude of stability and equilibrium, short or long, is convincingly broken on the up side. Suffice it to say that the current market has as yet given no such signal and can hardly do so, at best, except over a period of weeks.

The decline which has been experienced during the first half of 1932 scarcely appears abnormal when we consider the enormous shrinkage that has occurred during this period in corporate earnings and in public purchasing power. In both respects the deflation of recent months probably has been on the fastest scale of the entire depression period.

Even among companies which had gone through previous phases of the depression with relatively stable sales and

profits, such as leading merchandising chains, sharp recession has finally been felt, directly reflecting the pinched public purchasing power. Among such basic industries as steel, railroads, automobiles and construction aggregate profits have vanished and most related common stocks sell only on hope for the future.

Factors in Public Confidence

It is difficult to visualize the shrinkage in national income during the past sixty days. The large investing class has been hard hit by an endless succession of dividend reductions and omissions. The much larger wage and salary classes have been still harder hit by the cumulative loss of income. In this connection it is interesting to note that the official figures of the New York State Department of Labor—whose records throughout this depression have been more accurate than those available at Washington—show a decline of 3.4 per cent in factory employment in this state during June. That is the sharpest June drop ever recorded, the usual recession being ½ of 1 per cent. Moreover, total factory payrolls in New York State dropped 5 per cent during June.

In short, the wage-cutting movement, which was mistakenly delayed at the start of the depression at the urging of the Federal Administration, has this year picked up momentum to make up for lost time. It has now reached a point at which its advantages are open to serious question. On the one hand, it is necessary and worth while that the fixed charges of business be reduced. On the other, it is obvious that we have a downward spiral of purchasing power and that wage cuts contribute substantially to its momentum. It has so far undermined corporate profits much faster than wage cuts can bolster them. Indeed, the evidence is that further wage cuts, while probably inevitable, will in no sense check-mate the depression. They are more likely to aggravate our current difficulties, even if, from a longer-term point of view, they represent a necessary adjustment to the lower level of costs on which the next business revival will be built.

A great deal of blame for lack of confidence is being placed upon the bankers of this country. Liquidation of loans and investments, bank failures and increases in currency circulation are specific difficulties expressable in figures. It is by no means certain that this is the heart of the matter. The fact is that our working masses are gripped by an overwhelming fear of unemployment and of reduced earning power. Millions have suffered an income shrinkage which compels a rigid retrenchment in purchasing even necessities. Other millions are psychologically influenced to conserve even their pennies for the proverbial rainy day.

There is probably enough hoarded purchasing power in this country to bring about at least a 20 per cent recovery in general business, if it could be released. Political uncertainties and a general lack of confidence in governmental, business and banking leadership are major difficulties in its release. They contribute perhaps to the personal sense of insecurity of the individual, but in the main his fear is the specific fear for his job. Difficult as it may be for business as a whole to see this, there is scant possibility of a revival of aggregate confidence until individual confidence can be bolstered. There is, of course, no easy remedy. The movement toward shorter hours of work, which means a more equitable division of available employment, is a step in the right direction, but is regrettably slow in general application. However difficult it may be, it would seem that the time has come for serious consideration of some form of private guarantee of minimum remuneration and employment. Men who cannot estimate their purchasing power with reasonable accuracy for even three months ahead will not spend beyond the barest urgings of necessity.

Public Participation Light

Such change as has recently come about in the market probably rests in the main upon short-covering and upon purchases of purely speculative character by the professional trading element. The motives of such a movement are distinctly short-term. In many issues it is not particularly hard for aggressive sponsorship to bid prices upward. The trick is to find enough customers when profit-taking time arrives. Public speculative interest was never at lower ebb.

The news developments are not of especial significance, with the possible exception of the results of the Lausanne Conference. It is favorable that this has at least to a limited degree relieved previous European uncertainties. It is favorable that European politicians have at last been forced to adopt a more realistic attitude in seeking joint solution of international problems. Possibly in the distant future Lausanne will be seen to have been an important milestone in the world's journey back to peace, but of this no one can speak with dogmatic conviction amid today's great uncertainties. It certainly offers no convincing reason for buying common stocks at present.

The current business records indicate little change. Re-openings of steel plants after various mid-summer shut-downs have lifted the industry's operations from 12 to 16 per cent of capacity, without reflecting any increase in general steel demand.

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Nesmith Photo

A View of the Financial District from East River

World Monetary Crisis Impends

—Gold at a Premium
—Probability of a Commodity Boom
—Relief from the Burden of Internal Indebtedness

By Harold Fisher

Few men are better qualified by both knowledge and practical experience in world-wide banking to discuss the financial difficulties currently manifest in all nations than the author of this article. As the head of a great British mercantile house with branches in 40 countries, an intimate knowledge of price movements, exchange and banking the world around is not a matter of theory but a practical tool in his business. His keen observations on the spiral of over-indebtedness, and the attendant monetary crisis which is in the making, is of unusual interest.

The reader's attention is particularly called to the significant conclusion of this article in which the author points to the probable solution the current world-wide dilemma will demand.

THE prolongation and increasing acuteness of the world crisis have called forth innumerable explanations of its cause and equally prolific suggestions for its cure. It is probable that its real causes will only be discerned after a long passage of time shall have brought everything into proper perspective. Its cure, presumed as a piece of constructive statesmanship, is perhaps beyond the capacity of any men elected to serve faithfully the many conflicting interests of modern democracies.

As to the cause or cure of the depression, therefore, the present writer offers no opinion, and in drawing attention in this article to a set of circumstances now seen to be developing in almost every country in the world, and in deducing the probable outcome thereof, he must not be understood as suggesting that such outcome is either desirable or otherwise but merely as pointing out what is likely to eventuate whether it pleases us or not.

Price Recession and Gold Standard

It is to be noted in the first place that practically every civilized country, in the ten years following the Great War, has linked its currency to a gold standard or a gold exchange standard, including many countries that were not formerly on a gold basis. This process was completed by about 1926, and it may, or may not, be a significant coincidence, that incipient recession in the world price level is found to have had its beginning in 1927.

International indebtedness was funded in terms of gold, and inasmuch as national currencies were given a definite gold content, each nation may be said to have valued its national assets and its national indebtedness on a basis which gave them a definite relationship to every other nation's assets and internal indebtedness. They may further be said to have valued their own annual earning capacity in comparable terms also, though there is little doubt that sufficient attention was not given to this factor when many stabilizations were effected. It is possible, for example, that one nation's earning capacity may be overvalued in gold in terms of its own currency as compared with that of another nation, and if so, their currencies being definitely linked through gold, the nation whose earning capacity is overvalued, will fall further and further behind the other, and become more and more indebted on a gold basis, with the passage of time.

Be that as it may, the money values of most countries having been re-established on a gold footing, gold was free to move at will from one country to another, expressed always in the currency of each country. It moved in accordance with the indebtedness of each country for the time being, whether in settlement of trade balances or on account of international funded loans.

Gold Basis of Credit

In each country where it rested, and so long as it rested, it was the basis of a certain volume of credit. When it came in, credit was increased, when it went out, credit was decreased. Credit may be considered as time expressed in money. For a given volume of agricultural and industrial production and commercial transactions, a given time is required. If credit equivalent to more than the necessary time is in supply, it will not be commercially usable. If credit equivalent to the necessary time is not available, then a proportionate number of industrial and commercial transactions cannot be undertaken and trade declines.

It follows from this that a given amount of gold, the credit based thereon, and the time required for the agricultural and industrial production and commercial transactions of a given number of normally industrious people are all interacting factors requiring a very nice adjustment, one to another, for their proper functioning.

Furthermore, similar sets of factors operating within

the boundaries of different nations each constituting an economic unit by reason of independent sovereignty, will not only require adjustment within themselves, but a similar adjustment to one another, so long as they all adopt and adhere to one and the same standard, namely, gold, whereby their efforts are compared.

It is clear that the above arrangement, so long as its conditions are adhered to, depends on the physical volume of an available supply of gold, a given volume of credit or lending based thereon, and a given time for the agricultural and industrial production and commercial transactions of a given number of people.

Increasing Liquidation It may some day be found that, when the civilized world readopted the gold standard, the physical volume of gold available and the credit based thereon were not adequate to finance the production and transactions of the vast number of people who agreed to adhere to the standard. If this were so, it would account for the beginning of the curtailment of activity in 1927, resulting in a fall in prices which has proceeded with an ever-increasing velocity since that time.

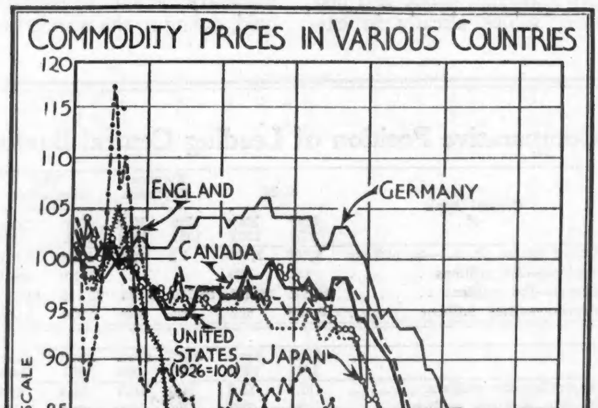
The falling price level has brought about a process of intense liquidation. Everyone having claims on cash, which in the last resort is gold, has sought to realize, and a vast body of mobile unused cash has thus been gathered together, the withdrawal of which from industry and commerce has destroyed from ten to twelve times its own sum in credit. The activities of men are thus further curtailed and the price level further depressed, and the passion for liquidation further intensified, and this process, resembling a snake eating its own tail, shows at present no signs of halting.

This volume of unused cash, flying nervously for safety from the dollar to the franc, from the franc to the pound, from the pound to the dollar, and back again to the franc, is not dollars nor pounds, nor francs, but gold and claims on gold. It is international in ownership, although every nation prefers to think it belongs to foreigners, and it is, at the present moment utterly useless to the world and a source of great danger. It has driven the English and many other nations to close their doors to it, and has caused several violent contractions in the credit structure of the United States in recent months.

Coincident with the accumulation of this large amount of unusable cash, a difficult situation has arisen simultaneously in every civilized country. In each one, great or small, rich or poor, we find exactly the same characteristics, varying only in degree of intensity. They are as follows:

1. Unprofitable price level.
2. Comparatively irreducible trade expenses.
3. Increasing unemployment.
4. Shortage of cash.
5. Shrinkage of credit.
6. Falling bank deposits.
7. Falling internal trade.
8. Falling external trade.
9. Falling taxable income.
10. Increasing rate of taxation.
11. Increasing cost of government.
12. Increasing national indebtedness.

Spiral of Over-Indebtedness All these factors are reacting upon one another to produce a vicious upward spiral of over-indebtedness in contradistinction to the downward spiral of liquidation just described. In the case of business and banking, the eventual result of such over-indebtedness is bankruptcy and dissolution in terms of the standard of value. In the case of nations, however, while they may be considered bankrupt externally in terms of an international standard of value, so far as the internal situation goes, it is clear that it is not the nation that will break, but the standard of value that must give way. And if the majority of the nations are forced to the defaulting point in terms of the international standard, it does not appear that that standard will be of any great use to the remaining few that will still adhere to it, except as an internal one.



Within every civilized country the falling price level is dissolving many business organizations, rendering others unprofitable, throwing men out of employment and diminishing the taxable capacity of the people. Government expenditure is rising by reason of uneconomic subsidies to certain industries, by the provision of relief for the destitute, and by the amount of interest on new borrowing. The increasing gap between revenue and expenditure is being bridged partly by increased rates of taxation levied on a decreasing number of taxpayers, and partly by loans.

On external account, the nations are endeavoring to conserve their foreign assets by restricting imports by means of higher tariffs, import quotas and interference with foreign exchange. In many countries bills drawn against exports are impounded by government for the payment of foreign government debts

and bills payable for imports are only allowed to be discharged in limited fractions monthly. But every import restricted by one nation is an export diminished for another and the sum total of international trading is dwindling away.

With every day that passes the burden of over-indebtedness grows greater, both externally and internally, and on both national and private account, and the possibility of payment in any currency of the official gold content hitherto recognized becomes ever more remote.

Dread of the German and Austrian inflations is causing financial authorities to hold down the volume of their note issues. But in most countries other than the five gold deposit nations, the situation behind the controlled note issues grows hourly more unsound. Reserves are falling, advances to governments are growing, bills discounted by the central bank for other banks are growing, interest is snowballing up, and all the time the note issue is being kept level. The result is an acute shortage of internal cash.

In Tangier there was no cash to pay the salaries of the judges of the mixed courts and other high officials for April. In Rumania, payment of salaries to civil servants is in arrears, and no payment is being received for merchandise used by the state. In Italy "the state is keeping the floating debt at a high level in order to maintain a big cash account at the Bank of Italy, thus keeping down the note circulation." In Greece, a law has been passed suspending the obligation of the bank of issue to maintain "a reserve against its notes in circulation and other demand liabilities." In Japan, on June 14, a law was passed raising the limit of the Bank of Japan's note issue from 120 million yen to 800 million yen.

It can only be a matter of months now before the printing presses get to work in a great many countries. Note issues made to pay a government's internal debts, and not backed by anything representing values already in existence such as government securities, constitute an unredeemable debt carrying no interest. Such an issue is the only real inflation, for it represents an increase of tokens without a corresponding increase of values. The price level of those values therefore increases in terms of the flood of tokens. Under the stimulus of such inflation prices rise, debts within the country are paid, business becomes profitable, taxes are paid, and the internal situation is considerably eased. But the external situation is not eased unless the exchanges are left free to find their own levels. If once however, the internal situations are eased, and goods and services begin to circulate again internally, it will probably be found very difficult to continue the restrictions on foreign exchange. If these are released, we shall see many varying fluctuations between countries which have abandoned the gold standard, but they will adjust themselves to the value of goods and services between the respective countries.

But between these countries and those remaining on the present gold basis, the exchanges will regulate themselves on the proportionate value of the goods and services of the non-gold countries to the value of gold itself. This may have the result of making the manufactured goods of the gold countries beyond all price in the other countries, and of increasing the gap in gold countries themselves between their manufactured goods and their primary farm products, because the latter will be subject to the world price, whatever that may be, in terms of gold.

Between the non-gold countries, once the internal situations are released and the exchanges freed, there will probably spring into vigor an enormous exchange of goods and services, either despite or because of inflated currencies according to the way one looks at it.

And when once this movement of goods and services commences, on rapidly rising prices, it will be natural to expect the vast body of mobile gold cash, referred to in the earlier part of this article, to rush to employ itself at a high premium in such a movement, for merchandise will be growing more valuable than money every day.

The downward track of the present world-wide depression is steeper than many people ralize and the velocity of descent is still increasing. It is unlikely that such a situation will be reversed other than by an upward movement of at least equal violence.

It is possible that nothing else holds up the industry and commerce of the world today but the entire failure of the monetary medium to function upon its present valuation in gold, owing to the terrific over-indebtedness on that basis in which the world has involved itself.

If the great commodity boom in non-gold countries, which appears to be predicted by the foregoing premises, eventuates, the gold countries may well be forced to ask themselves *whether their own currencies are not too highly valued in weight of gold content.* They may well ask themselves whether the limited inflation which such a reduction of gold content would produce is not justified if only as a means of settling debts incurred in terms of far different values than those which now prevail. Would not relief from the debt burden, which now bears heavily on the people of every nation go far toward restoring the equilibrium throughout the whole world?

Comparative Position of Leading Central Banks

Central Bank of	Gold		Foreign Exchange		Note Circulation	
	May 1931	May 1932	May 1931	May 1932	May 1931	May 1932
United States (F. R.)—$s millions	3,250	2,790	1.1	30.8	1,580	2,572
England—£s millions	151	125	...	...	354,9	354.2
France—Frs millions	55,634	79,470	26,160	9,001	78,185	81,418
Germany—Rms millions	2,390	863	186	129	4,299	3,961
	April 1931	April 1932	April 1931	April 1932	April 1931	April 1932
Australia—£s millions	17.4	11.6	4.9	18.1	44.4	47.0
Austria—Sch'l'gs millions	214	179	138	35	964	909
Belgium—Belgas millions	1,445	2,523	891	...	3,279	3,652
Bolivia—Bolivians millions	2.9	21.3	26.7	5.1	28.3	26.9
Chile—Pesos millions	62	69	247	96	279	352
Columbia—Pesos millions	20.1	14.4	...	...	22.9	17.9
Czechoslovakia—Crowns millions.	1,542	1,642	2,078	1,194	6,609	6,740
Denmark—Kroner millions	172	145	67	25	354	335
Estonia—Krooni millions	6.5	7.3	17.3	12.7	35.5	33.5
Finland—Markkas millions	301	304	958	829	1,301	1,294
Hungary—Pengos millions	112	96	47	15	406	417
Italy—Lire millions	5,313	5,630	4,150	1,484	14,881	13,375
Japan—Yen millions	840	429	...	...	1,058	1,128
Latvia—Lats millions	24	34	27	13	46	39
Lithuania—Litu millions	39	50	74	21	112	101
Holland—Florins millions	450	906	221	89	838	962
Norway—Kroner millions	146	155	32	17	296	312
Poland—Zlotys millions	568	575	345	158	1,259	1,148
Rumania—Lei millions	8,784	9,491	3,022	375	18,905	22,904
South Africa—Pounds millions...	6,804	7,053	6,882	71	6,092	8,086
Sweden—Kroner millions	240	206	297	120	548	576
Switzerland—Francs millions	643	2,439	337	112	988	1,529
Yugoslavia—Dinars millions	1,068	1,763	94	804	4,699	5,048

Business Weighs Platforms and Candidates

Comparative Analysis of Party Declarations and Presidential Contenders from an Economic Viewpoint

By JOHN D. C. WELDON

DURING the next few months the political destinies of this nation will be fought out in a campaign dominated largely by economic issues. We are caught in the grip of the most devastating depression the world has ever known. The unanswered—and perhaps unanswerable—questions in the mind of every thinking American are: What are the causes of our distress? What can be done about it?

It is chiefly to these questions that the two major political parties and their Presidential candidates now address themselves in an appeal for the public's votes.

It is the fashion to say that politics tends increasingly to dominate business. This is only partly true. It is much nearer the mark to say that economic trends tend to dominate politics. In either event the political decision to be made by the people in November may bear a decidedly important relationship to the economic outlook.

Accordingly, those millions of voters who do not regard themselves as unalterably bound to either the Republican or the Democratic parties are already searching the respective platforms and studying the personalities and records of the respective candidates for some clue to the economic policies to which this country, through majority vote, is to commit itself.

To the realistic and impartial economist, the issues thus far drawn are not as clear-cut as they might be. Regardless of all other important questions, a very considerable number of citizens will cast their votes almost entirely upon the Prohibition issue, which, while truly important, is nevertheless of distinctly secondary economic significance. Both parties have made very substantial concessions to the apparently growing sentiment for a change in the present system. It is probable that, whichever wins the election, we are moving toward repeal or modification of Federal Prohibition.

The Democratic Party, in both platform and candidate, has gone the whole way on this question. It flatly demands and promises repeal. The Republican attitude is a straddle. It therefore appears likely that the process of change in our national handling of this problem would be faster and

more clearly defined under Democratic rule than under Republican.

This probability has several economic implications. Not the least of these is the possibility that anti-Prohibition sentiment may, unfortunately, obscure or outweigh some of the more basic issues. In short, whether the impartial observer approves or disapproves of the economic policies advocated by the Democrats, they have a chance of riding to a purely fortuitous victory on the back of a distinctly unrelated cause.

Important Source of Revenue

In immediate relation to the depression, the direct effects of a repeal of Prohibition are probably less important than they have been painted. Such stimulation of business and employment as would result from a revival of the liquor industry would be a drop in the bucket in relation to the general economic scene. Of much more importance is the possible effects upon the Federal Government's revenues. Repeal of Prohibition might ultimately yield the Government an annual liquor tax revenue of around 1 billion dollars. This would go far toward solving our budget problem and would make possible a fairer distribution of other taxes which now press so heavily upon business.

At best, however, the process of repeal by ratification of individual states, would take two or three years. Hence, it cannot bear directly upon the Government's immediate financial problem. On the other hand, modification of the Volstead Act by action of Congress would be possible early next year and taxation of wines and beers conceivably could yield the Government from 300 to 500 millions of dollars a year. This would be a helpful, rather than truly important, amount.

If no other issues were involved, it would be difficult, from an economic point of view, to refrain from endorsing the Democratic stand.

Cutting Expenditures

Both parties have emphasized the vast importance of the problem of heavy governmental expenditures. This will unquestionably be a major campaign issue. Upon its proper solution hangs the fate of nothing less than the credit of the Federal Government, keystone of our entire credit arch. As time goes on it becomes ever clearer that a definite balancing of the budget will depend more largely upon retrenchment than upon new taxes.

On this question, as upon Prohibition, the Democratic platform is both more concise and more specific than the Republican. Both call for economy and retrenchment. The Democrats are more specific in promising to abolish useless commissions and offices and in definitely pledging the party to "accomplish a saving of not less than 25 per cent in the cost of Federal government."

It need hardly be said that political platforms cannot be taken at face value. They are worth exactly as much as is the candidate elected to carry promises into effect—just that much and no more. Nevertheless, it is of possible significance that the Democratic platform is by all odds the shortest and most definite ever written. Those who vote Democratic can reasonably accept its pledges as the most specific ever given, at least on several important subjects. In the past, platforms have been so lengthy, involved, vague and evasive that the candidate elected could very largely shape his own policies, without subjecting himself to the criticism of having broken specific promises.

To this extent the Democratic platform is a new deal for the voter. It likewise appears to be a dangerous innovation from the point of view of any politician whose guiding rule is expediency. Any candidate—whatever his personal ability—will find it exceedingly difficult, as well as dangerous to the point of political suicide, to promise a 25 per cent reduction in Federal expenditures and then fail to exert at least his utmost endeavor to bring about this result.

On this question of how much faith can be placed in party pledges, more detailed consideration is necessary. First, however, the purposes of convenience will be served by a brief survey of some of the other leading issues.

Tariffs

The Democratic platform reaches its height of clarity and simplicity in the planks dealing with Prohibition and governmental retrenchment. On most other matters it expends much fewer words than does the Republican platform, but many of these words do not tell us much.

The Democrats favor "a competitive tariff for revenue, with a fact-finding tariff commission free from executive interference, reciprocal tariff agreements with other nations, and an international economic conference designed to restore international trade and facilitate exchange." The Republicans also favor an international economic conference and talk somewhat vaguely of promoting international trade and good will, but the essence of their position is to retain, and, indeed, strengthen, the present system of high tariff protection.

On this question there is room for decided differences of honest economic opinion. The present tariff law was criticized upon its inception by not a few business leaders, including Republicans. It represents less a considered national policy than the log-rolling handiwork of sectional interests.

The basic fact is that the status of this country since the war has changed from debtor to creditor. It is therefore open to question whether the present status can be maintained successfully without ultimate modifications of tariff policy. Neither party has yet recognized this underlying issue. The choice is not between tariff or no tariff. It is well recognized that any modification would have to be moderate and probably reciprocal. Regardless of platform words, the records of the two parties tell us that the Republicans favor the present tariff. The Democrats would lower it.

Both platforms make obeisance to conservative doctrine as regards Federal finances and the national currency. Both favor maintenance of the national credit through a balanced budget. The Democrats advocate "a sound currency to be preserved at all hazards." The Republicans go farther, upholding the gold standard, condemning currency inflation as a quack remedy and pointing out that the dollar is impregnable in the marts of the world today and must remain so.

The fact is that the question involved here will not be settled by party declaration but by the course of economic events. Business is burdened by an unprecedented load of debt, public and private. It cannot be paid off unless prices advance. The present Republican Administration is committed to the theory that a price recovery will ultimately offer escape. Meanwhile it is using a vast amount of the public credit as a prop for the debt structure. The experiment is on an unprecedented scale. It is carrying us in the direction of State Capitalism. If it is not saved by a price recovery, the alternatives are those which have prevailed in prior depressions, notably wholesale default and

subsequent reorganization or else some modification of the gold standard to provide a more equitable means of paying debt in purchasing power more nearly equivalent to that borrowed. It is, in short, a question to which neither Democrats nor Republicans give final answer by any lip service to a "sound currency."

Farm and Unemployment Relief

On the general topic of depression relief, both platforms contain words rather than concrete ideas. This is understandable, since even the most intelligent and impartial of economists are in disagreement as to what can or should be done. Both parties are committed to the general principle of extending Federal credit to depression relief of one kind or another. The difference, by no means clearly defined as yet, is merely one of degree. Similarly, both platforms take refuge in words when it comes to agricultural relief. What the Democrats propose to do is by no means plain, although they denounce the "speculative" activities of the Farm Board and, hence, presumably, would not continue this thoroughly discredited form of "relief."

Both parties advocate banking reform in general terms. Both advocate a shorter working week for government and industry thus tending toward the sound policy of spreading the work, which is after all the surest remedy for unemployment. They differ little in words as to friendly foreign policy and co-operation with our foreign neighbors. Both favor Federal regulation of interstate public utilities, which now seems inevitable. The Democrats, however, go farther and advocate the certainly doubtful policies of Federal regulation of holding companies which "sell securities in interstate commerce" and the Federal regulation of security and commodity exchanges.

The various other issues advanced in the platforms may be dismissed as relatively unimportant.

To anyone of really radical political leanings, the outstanding characteristic of both platforms is their dominant conservatism. Yet the accepted tradition is that the Republican Party is the party of conservatism. Republican campaign strategy is to emphasize this conservatism as highly desirable in a time of national emergency. Republican hope is that the effect of depression will be to sway public opinion toward the conservative and cautious point of view, and that numerous votes can be attracted on the argument: Why change horses in the middle of the stream? It is pointed out that depression has brought a conservative swing of opinion in England. The analogy is not perfect, for Great Britain had a Labor Government from which to swing; whereas in this country the political conservatism now offered to the voters as an attractive dish is precisely what we have had for more than a decade.

Rock-ribbed Republicans will label the Democrats as "radical." Actually, the most that can be said is that they are traditionally less conservative in politics than the Republicans. To describe them as radical would bring a smile to even the mildest Socialist. The really radical elements in this country possess so few votes that no practical politician is interested in them. What Mr. Roosevelt seeks is not the radical vote but simply the dissatisfied vote. The bulk of this vote may be considered radical only if it is radical to desire a change. There is nothing whatever to suggest that a Democratic victory would imply any important changes in the fundamental social and political principles to which the American people are committed.

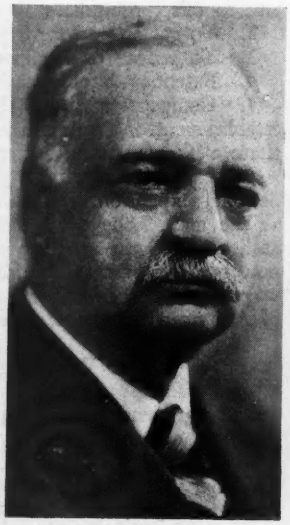
Criticism Warranted

The sad contrast between the glowing promise of the Democratic platform and the performance of the Democratic majority in the House of Representatives has already received much attention. There is abundant ground for criticism. The House has repeatedly disturbed business sentiment with its "pork barrel" inclinations, with its mob-like refusal to effect economies, with its advocacy of fiat currency through the veterans' bonus and with other unsound proposals.

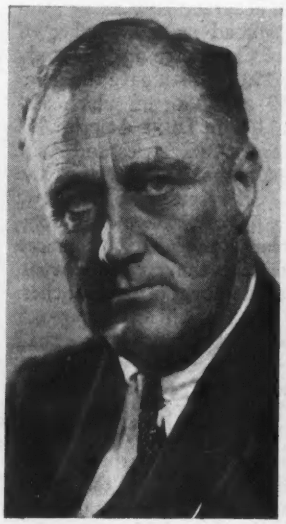
The blame, however, is not entirely Democratic. Republican Representatives, under the leadership of La Guardia, have constituted an equally disturbing element of Congress. Moreover, it would be fatuous under our system to expect high-minded statesmanship of the House. It is unwieldy in sheer numbers of Representatives and is naturally the department of government in which narrow, sectional and partisan interests have rein for expression. Never in recent history, under either party, has the House been an institution in which we could take much pride.

(Please turn to page 426)

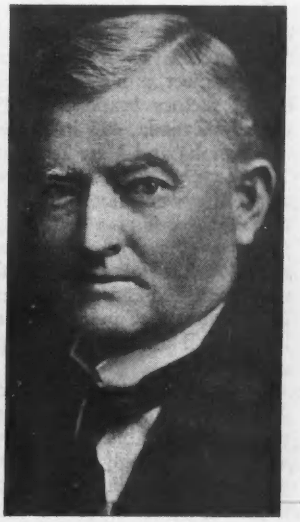
Herbert Hoover



Charles Curtis



Franklin D. Roosevelt



J. N. Garner

Branch Factories Abroad—A Fiasco in Over-Expansion

Another Excess of the Boom Period Comes in for Correction

By THEODORE M. KNAPPEN

"LOOK at that!" said an exporter, as he pointed to a copy of the leading Canadian popular national magazine.

We turned over the pages together and found that nine-tenths of the advertising was by American branch companies.

"Do you wonder?" the exporter asked, "that our exports to Canada are falling off? Canada is merely an extreme example of what has been going on all over the world. We Americans have been foolishly exporting capital, factories and jobs to make imitation American goods to take foreign outlets away from genuine American goods and employment from American labor. We have been building up foreign and tearing down home industry. We have mitigated unemployment abroad and aggravated it at home. But, thank heaven, this era of error is coming to an end. I hear almost daily of the closing of branches abroad with a jingling crash of lost dollars. I deplore the losses but I hope that the lessons thereby learned will be worth the cost."

Millions of Americans, including thousands of investors, share both the exporter's deploration and hope.

The Roll of the Migrants

It is not possible to state with accuracy how many American concerns have branches abroad or the number of the branches. The Department of Commerce made a study of the subject, published early in 1931, which gave the number of factory branches in 1929 as 1,236; of which 524 were in Canada, 453 in Europe, 153 in Latin America, 42 in Australia and New Zealand, and 64 in Africa and Asia. This list was admittedly incomplete and the names of the companies were not published. In response to a Senate resolution, it is now compiling a list of the names of companies having production branches abroad in which more than $50,000 is invested together with the amount of capital represented and the number of employes in the branches. It is hinted that publication of the list will cause popular indignation and have an important bearing on the tariff controversy.

Since the Commerce Department figures were compiled, desultory reports indicate that between 100 and 150 companies have established factory branches, chiefly in Canada and Britain, mainly in the former. These enterprises were precipitated, despite the business depression, by retaliatory tariffs in Canada and the adoption of protective tariffs by Britain. It would probably not be far afield to say that near 2,000 American firms have some sort of production branches abroad. The number of the branches is considerably larger, as many concerns have branches in a number of countries and sometimes several in a single country.

During the boom period there was much flag waving, and screaming by the eagle, as factory after factory was erected abroad. The movement was spoken of as an American invasion, boasted of at home and feared abroad. Later there began to be misgivings about the effects of these branch factories on American exports, domestic industrial progress and employment. After the depression brought in an era of pitiless economy and searching introspection executives began to scrape off the ballyhoo and endeavor to ascertain whether branch factories were all that they were once supposed to be. The motives that prompted the branch factory rage are being studied coldly in the light of experience. It is safe to say that many an American executive would be prouder of his record if he had never fallen for the fashion of the times.

Why Factories Leave Home

The motives for foreign branching may be summarized as follows:

1. General purpose to widen markets by bringing products within the low purchasing power of foreign consumers and to offset prejudices against imported goods.
2. To get around tariff barriers.
3. To reduce or eliminate transportation costs.
4. Patent and trade-mark considerations.
5. Competitive rivalry between American firms; the establishment of a branch by one concern seeming to necessitate a like course by a competitor for foreign trade.
6. Executive or company vanity—the prestige of international expansion.

The main hope of making goods abroad cheaper than at home, and thus getting prices down to the purchasing power of lower-standard foreign populations, is in lower wages, the use of local raw materials and the introduction of American mass production methods.

Low Wages—High Labor Costs

Sad experience has shown that lower wage rates do not necessarily mean lower labor costs, except where the labor is largely unskilled. Labor saving and high production machinery in American branches instead of reducing labor costs, as hoped, often increases them. The American invaders did not take the psychology, customs and habits of the foreign laborer into account. It has been found

in Europe that the workman is either suspiciously reluctant to make the most of machinery, is restrained by custom and union rules, or has no personal interest in making a good showing. One reason why wages in Europe are low compared with those in the United States is that the laborer there produces less than here. There is no doubt that in England, at least, it has been found by American branch factories that labor costs are at least as high as in the United States.

An obstacle to cheaper production abroad, England for example, is the high income taxation, which there amounts to 25 per cent of net profits, or about twice the American corporation income tax.

A deterrent cost consideration that is now coming into the foreground is that of the relation of the capital in a foreign plant to the investment in the home plant. In many instances the domestic plant is quite large enough to take care of all possible foreign business. When a branch is built in Europe or elsewhere a certain part of the capital in the American plant sometimes becomes unproductive because of the diversion of demand. At the same time the total capital investment is increased, while the combined output may be no more than that formerly enjoyed by the home factory alone. There is, further, the general economic wastefulness of building plants in countries where there is no real economic demand for them. If an American automobile plant in Germany merely takes business away from a going domestic concern it has simply added to the general world condition of overproduction and destructive competition.

Many branches which have negotiated all competitive impediments are finding that their hope of tapping huge latent foreign markets by turning out goods so much cheaper than at home that they could make prices fitting to the thin pocketbooks of the European masses has been an idle dream.

The national sentiment factor is at present an important one in most industrialized countries. In all such countries there have been popular propaganda campaigns to persuade the consumer to favor home-made products. Public bodies have adopted the policy of buying only domestic products. In the case of England it is believed that the introduction of protective tariffs will soften the objection to imported goods, because the consumer will feel that the tariff has taken the place of sentimental preference, and that he is free to gratify his own inclinations without being unpatriotic. The unemployment problems and general desperation of many foreign countries have added to nationalistic feeling and prejudices and stimulated a desire to live to themselves as much as possible. This feeling has been exploited by the native manufacturers. The result is that petty social and commercial persecutions and local official annoyances have increased, even in those industrially backward countries which frequently took the initiative in getting an American plant "in their midst," and offered free sites, special taxation relief and other encouragement.

It has been found that nothing is gained in the long run by disguising the American name and going native in all externals. The public soon gets on to the disguise. At the same time it is necessary for American branches to play the trade game with their native rivals. They must

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Some of the Leading American Companies Having Branch Factories Abroad

Name	Location of Branches
Air Reduction Co.	Canada, Cuba
Allied Chemical & Dye Co.	Canada
Allis-Chalmers Co.	Canada, France
Aluminum Co. of America	Canada, Italy, Norway
American Can Co.	England, Canada
American Chicle Co.	Canada, England
American Radiator Co.	Canada, England, France, Belgium, Germany, Italy
Armour & Co.	Canada, Brazil, Argentina, Uruguay, Spain, England, Cuba
Beech-Nut Packing Co.	Canada, England
Bendix Aviation Co.	Canada, England
Borg-Warner Co.	England
Briggs Mfg. Co.	England
Burroughs Adding Machine Co.	Canada. Germany and England
Chrysler Corp.	Canada, England, Belgium, Denmark
Coca-Cola Co.	Canada, Cuba, Mexico, Germany, Italy, Spain
Colgate-Palmolive Co.	Canada, Mexico, Cuba, Argentina, England, Switzerland, France, Italy, Australia, Germany, Sweden, Poland
Congoleum-Nairn	Canada, England, France
Corn Products Ref. Co.	Argentina, Brazil, England, France, Germany, Netherlands, Jugoslavia, Czecho-Slovakia, Chosen
Cudahy Packing Co.	Canada, Australia
Deere & Co.	Canada, England
E. I. du Pont de Nemours & Co.	Canada, England, Australia, Chile, France, Italy, Germany, Argentina
Eastman Kodak Co.	Canada, England, Germany, Australia, France
Electric Storage Battery	Canada, England, Australia
Electric Auto Lite	Canada
Firestone Tire & Rubber Co.	Canada, England, France, Argentina
Ford Motor Co.	Canada, England, Ireland, France, Belgium, Denmark, Germany, Italy, Netherlands, Spain, Egypt, South Africa, Australia, China, Japan, India, Brazil, Argentina, Chile, Mexico, Panama
General Electric Co.	Mexico, Brazil, Italy, China, Canada
General Motors	Canada, England, Germany, France, Spain, Denmark, Sweden, Belgium, Egypt, South Africa, Japan, Australia, New Zealand, India, Netherlands, East Indies, Argentina, Brazil
Gillette Safety Razor Co.	Canada, England, Brazil
Goodrich Rubber Co.	Canada, England, France, Japan
Goodyear Tire & Rubber Co.	Canada, England, Argentina, Australia
Hudson Motor Car Co.	Canada, Belgium, Germany, England
Ingersoll-Rand Co.	Canada, France
Inter'l Business Machines Corp.	Canada, Germany, France
International Cement Corp.	Argentina, Uruguay, Cuba, Brazil
International Harvester Co.	Canada, England, France, Germany, Sweden
International Tel. & Tel. Co.	Canada, England, France, Germany, Belgium, Italy, Czecho-Slovakia, Hungary, Norway, Denmark, Spain, Australia, Japan, China
Johns-Manville Corp.	Canada, France
National Biscuit Co.	Canada, England
National Cash Register	Canada, England, Germany
National Dairy Products	Canada, Cuba, Australia
National Lead Co.	Canada, England, Argentina, Norway
Otis Elevator Co.	Canada, France, Germany, Italy, Argentina, Brazil, Chile, Japan, China
Paramount Publix Corp.	England, France
Procter & Gamble	Canada, England, Cuba
Pullman Co.	France, Brazil
Remington-Rand	Canada, Germany, Italy, India
Sherwin-Williams Co.	England, Australia, Canada, Cuba
Standard Brands	Canada, England, France, Germany, Cuba, Colombia, Panama, South Africa
Stewart & Warner Corp.	Canada, England
Studebaker Corp.	Canada, Australia
Swift & Co.	Canada, Brazil, Argentina, Uruguay, Australia, Netherlands, Cuba
Standard Oil Co. (N. J.)	Canada, Cuba, Argentina, Colombia, Trinidad, Venezuela, Peru, Norway, Poland, Italy Rumania, France, England, Germany, Mexico, Central America, etc.
Timken Roller Bearing	Canada, England
U. S. Steel Corp.	Canada, Chile
U. S. Rubber Co.	Canada, England
Union Carbide Co.	Canada, England, Norway, China
Warner Bros.	England, Germany, France, Brazil, Australia
Westinghouse Elec. & Mfg. Co.	Canada, France, Norway, England, Italy, Germany
Worthington Pump & Mach. Co.	England, France, Germany, Hungary, Austria, Spain
Wm. Wrigley Jr. Co.	Canada, England, Germany, Australia

Things To Think About

Deeper In The Hole

NECESSITY has forced the average citizen to make very prompt adjustment of expenditures to income. It is too bad that Uncle Sam, with an expansive borrowing power and an unlimited taxation power, has not been under similar compulsion. The result is that while we as individuals have been prudent and thrifty, we as a nation have been inexcusably improvident. During nearly three years of depression the Federal Government has piled up a cumulative deficit of approximately 4 billions of dollars and it is only within the last few months that any of our political leaders have awakened to the grave dangers involved in a policy of merely drifting and waiting for business to turn up. Individual thrift will go for naught if the Government credit is ruined, for there is no surer path to forced currency inflation. After the post-war years of thrifty reduction of our excessive Federal debt, it is again mounting in staggering leaps toward the war-time high. Another year of political timidity and delay on this problem would be disastrous. It is time to drop the pruning knife and apply the axe to governmental spending of the public's dwindling money.

Illicit Business and Money Scarcity

Some students of the great underworld business of bootlegging assert that it is responsible for the hoarding of 500 million of the 2,000 million dollars that is supposed to be entirely outside of the usual channels of business. To escape the making of records that the internal revenue officials may turn up in their search for evasions of the income tax—such a search as finally landed the king of the underworld, Al Capone, in a Federal prison—the bootleggers keep their money out of the banks. Prohibition thus adds to its fearsome list of crimes against the nation that of contributing to banking inefficiency and the prolongation of the depression.

And now the Government, itself, through its tax on bank checks appears as a contributor to hoarding of a kind. Billions of the annual turnover of money which have hitherto appeared in checking accounts will hereafter not go directly through the banks. Most of it will eventually get into the banks again but the tendency will be for the recipients of cash instead of checks to continue to keep their money in that form in order to avoid the check tax. Under present conditions this may be salutary, for, as a matter of fact, the banks are the worst hoarders of all—for they are hoarding what is counted as money in circulation. No loans mean no deposits, and no deposits mean no checks.

Trade Acceptances and Credit

One of the curses of times like the present is that those who have access to credit don't need it, and those who need it can't get it. A country merchant may be convinced that if he could carry more stock he could sell more goods, but his conviction carries no weight with the banker, and the manufacturer and wholesaler are not keen to perform the banker's normal function. But both of them may have ample lines of credit at their banks. It may be said that the general use of the trade acceptance which is now being promoted will tend to transfer the credit initiative from those who can't borrow to those who can. A trade acceptance is nothing but a time draft drawn by the seller on the buyer, which being accepted by the latter goes back to the seller, receives his indorsement and is discounted at his bank. The draft covers the period of time in which it is reasonably expected that the goods will be disposed of. On its face it is self-liquidating paper, and the seller's indorsement guarantees its collection. This sort of commercial instrument has been but little used in this country. Its free use in some other countries is one explanation of why they have less use for bank checks. It makes up for lack of adequate local banking facilities and makes use of banking facilities elsewhere. Insofar as restricted banking facilities are due more to the local banker's fears than to his judgment the wide introduction of trade acceptances will smoke him out of his shell of lethargy. He will find that he can lose his business to the big centrally located banks without a branch being established across the street.

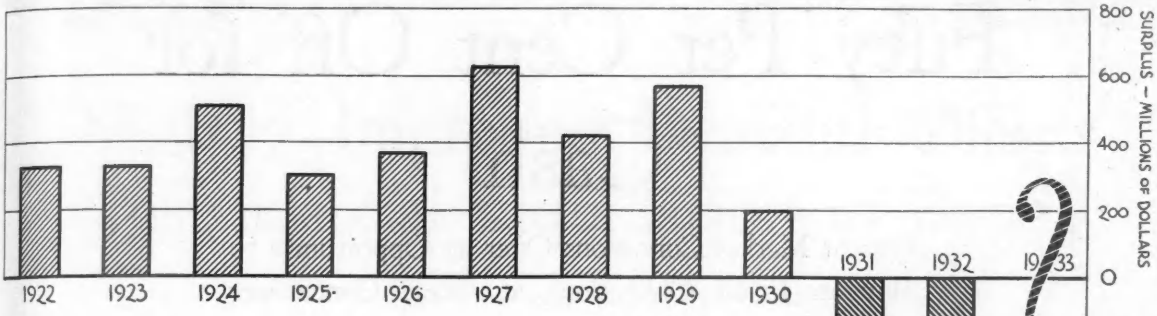
Unemployed People Employ Unemployed Wheat

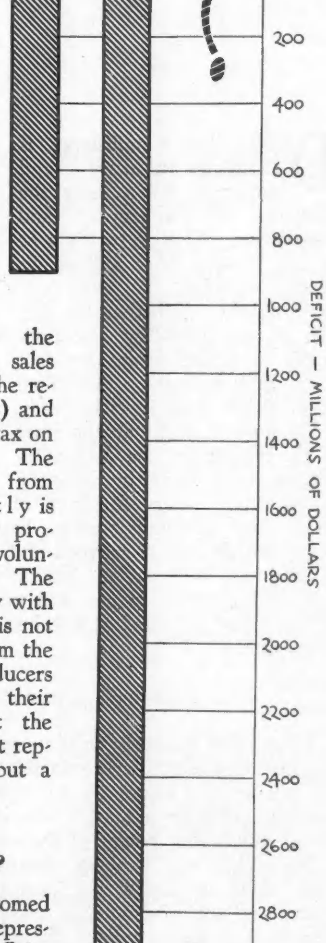
Surplus labor is disposing of the surplus wheat problem. The unemployed have already consumed some 40 million bushels of the Farm Board's load and soon they will be eating their way through another forty or fifty million bushels of this governmental white elephant. A double purpose is being served—empty stomachs are filled and elevators are emptied; the reproach of starvation in the midst of plenty has been avoided and some of the weight of plenty on the markets has been lifted. An effect that is not enjoyed by the bakers is the encouragement of home-baking. Hundreds of thousands of unemployed men and women are baking their own bread with the flour furnished them through the Red Cross. Many of them will never go back to baker's bread, thus cutting down the family budget and also the baker's business. This will be hard on the bakers but there are many families today where more bread-baking and less loafing would be a blessing. We can never go back to the old hard and simple life but a dose of hardness and simplicity is what a lot of people need. We have all lost a lot of money these last two or three years but most of us are gaining something else. Business depressions may have intangible values that offset their substantial losses.

The Little Business

Since THE MAGAZINE OF WALL STREET brought out the comparative prosperity of the little industries in this period they have come in for many appreciations and tributes, including a "citation" by President Hoover. A

ANNUAL SURPLUS & DEFICIT OF THE U.S. GOVERNMENT





great banker recently said that instructions had been given to his loan officers to take particular pains in the future to cultivate the small borrower. "The small industry," he said, "like a young man, has advantages peculiar to its years. Not the least of these is that its future is before it." Which remark was given a graphic illustration by the story cabled from Prague about Thomas Bata, the greatest shoe manufacturer in Europe who was killed in an airplane accident the other day. At a critical moment in his youth his enterprise was saved from failure by a small loan by a small branch bank. In gratitude, Bata continued to do all his vast banking through this little branch to the day of his death.

Another Governmental Hypodermic

President Hoover, who was once the vigorous apostle of heavy public expenditures in times of business depression and later swung to the opposite extreme, has been forced to approve the bill to spend 2,100 million dollars for Federal relief of unemployment and its consequences, of which 1,800 million dollars is to be devoted to a direct effort to give business a revival starter. Some 300 million dollars is to go into currently unnecessary public works and the rest is to be lent to productive enterprises of a public nature. The failure so far of the Federal Reserve's gigantic effort to start the business machine by giving it an abundance of gas in the shape of cheap money is thus to be supplemented by what some economists maintain is its necessary counterpart. That is, they hold ignition is as necessary as gas. This bill is the new ignition.

The activity that is expected to result from its operations will give employment to hundreds of thousands of men, require a tremendous amount of materials and equipment and create innumerable business contracts which will require undeniable banking credit. It is hoped that all this will give the engine of business such a whirl that it will thereafter provide its own ignition for steadily increasing speed and load. We hope so. It may get a break. It is not impossible that it will swing into action at just about the time business will be trying to crank itself. If not we shall have added another item—a tremendous one—to the debit side of that still unbalanced national budget.

Pass on the Tax

An official communication from the United States Bureau of Internal Revenue states that under no condition must power companies absorb the 3% tax on electricity placed in the new Revenue Act since it is a levy on consumers. In these days of lower power output this ruling likely will not cause power companies any grief. The original manufacturers' tax plan would have placed the burden on the producers and many companies had stated that they intended to absorb the tax. However, the sales tax was defeated (to the relief of power companies) and the new bill levying a tax on consumers was passed. The latest communication from Washington evidently is aimed at some power producer who wished to voluntarily absorb the tax. The identity of the company with this philanthropic aim is not known, but judging from the number of power producers which were training their guns on Congress at the thought of a sales tax, it represents the desire of but a small minority at best.

Whence the Success?

Though we are accustomed to talk about *general* depression, the sad state of affairs perhaps is far from being as widespread as we think. It is still possible to appeal to the public and make a lot of money doing it. There was the miniature golf craze, which during its short life was actually a factor bearing upon the country's lumber industry. On a smaller scale there is the white cap fad at present raging through our larger cities. The public, for some unaccountable reason says that white duck caps at 25 cents each are a bargain. As a result in New York alone some 1,000 men have been called back to work and more than twice this number are said to be making a living hawking the production. Is it not possible that suddenly something more worthwhile will take the public's unpredictable fancy and pull us all out of the mess?

Fifty Per Cent Off for Cash

Present Market Conditions Offer an Opportunity to Buy in Fixed Obligations at Great Concessions

By Roger S. Norton

Debt has become one of the major problems of the depression. Much of it will be met by bankruptcy and repudiation unless an alternative can be found. An alternative is available. If not a sure cure, it is at least a valuable remedy. What it is is outlined in this terse article.

DEBT, like a millstone, is dragging industry — and nations — down into the quagmire of bankruptcy and repudiation. Tied on by the rope of our present price system, its weight is pulling the noose ever more tightly. Whether the victim is strangled by declining prices or pulled under by debt is of small moment. The final result is the same in either case.

Of little concern at the start of the depression, the debt question has been forced by declining prices into the very forefront of our economic problems. Other costs of doing business have been cut. Dividends have been drastically reduced and, in many cases, omitted.

Creditors, however, are inexorable. They hold a legally enforcable promise to pay and expect interest in full and settlement of principal at one hundred cents on the dollar when due.

Deflation's Downward Spiral

In an effort to satisfy their claims frantic efforts are made to institute still further economies. More workers are laid off, salaries and wages are cut again, and goods offered at sacrifice prices to a market already weakened by the reduced purchasing power of the consumer.

Meanwhile our bankers, disturbed by the turn affairs have taken, are liquidating loans to individuals and to industry and are refusing new credits. The Federal Reserve Board, in order to relieve the credit stringency, embarks on an ambitious program of open market purchasing of governmental obligations. But this action serves chiefly as a signal to European bankers to withdraw their short term balances and our gold supply is thereby depleted.

Confidence and purchasing power must be restored. But this can be done only by a stabilization of the price level. The business man sees no incentive to stock up with goods when prices are still receding. The consumer fears the loss of his job, or is already on the streets looking for work. He will not buy and, as a result, prices decline still further.

The key log in the economic jam is the creditor. He must in some way be persuaded—coerced is an ugly word—into an acceptance of less than his full demands. If industry can be relieved of the necessity of paying its fixed charges in full the pressure of goods on the market will be lightened and a long step will have been taken along the road to economic recovery.

How can this be done? It need not be by inflation. The mechanism for debt reduction stands ready to function, created in fact by the very depression which renders its use such an imperative necessity.

The ranks of the creditors are wavering and many of them, impelled by fear or necessity, are willing to accept a settlement of their claims at from ten to sixty or seventy cents on the dollar.

This is evidenced by bond prices on the New York Stock Exchange, on the other exchanges of the country, and in the "over-the-counter" market. Taken as a whole it is probable that these prices indicate a willingness to accept a cash settlement at little more than 50 per cent of face value.

The great banks of New York, recognizing the advantages to be had from the purchase of sound obligations at such ridiculously low prices, have formed the American Securities Investing Corp. with an initial capital of $100,000,000.

Created, it was specifically stated, not for the purpose of supporting the bond market, but solely as a profit-making enterprise, its functioning should, nevertheless, provide a cushion against further declines of importance and eventually may be expected to make a handsome profit for its sponsors.

A Method of Cutting Fixed Charges

It does not, however, get at the root of the situation, the reduction of corporate fixed charges. These remain at the same level as before and the pressure of goods on the market in an effort to meet these charges continues with its disrupting effect on the price level.

What is needed is to provide some means by which corporations may purchase their own funded debt at the tremendous discounts now prevailing. The retirement of debt acquired in this way would bring about a notable reduction of fixed charges and, if the operation were conducted on a sufficiently large scale would spread its benefits throughout the industrial and business fabric of the nation.

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Slightly Improved Demand Offsets Institutional Liquidation in Bonds

—Can "Foreigns" Hold Their Gain?

By J. S. Williams

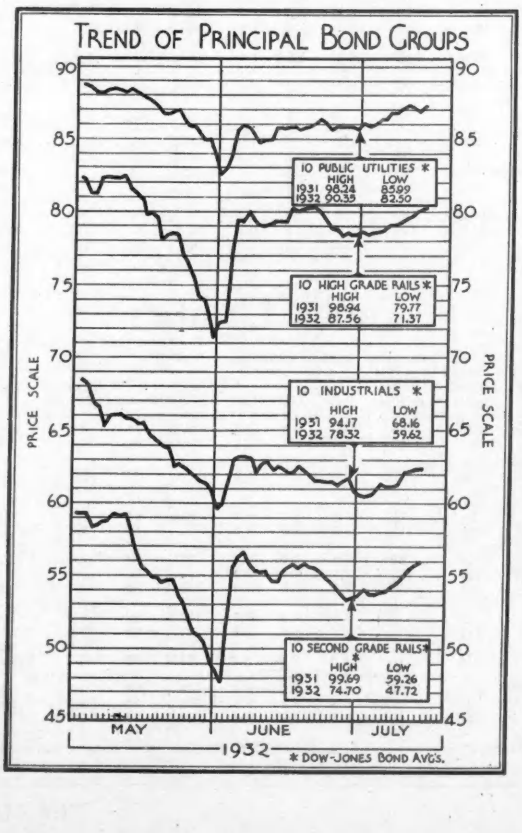
When the bond market appeared unable to find a bottom in May the most common explanation was that, in the absence of demand, it was being forced down by necessitous liquidation, especially on the part of banks. Today the banks seem as intent upon liquidity as ever. Each recent week has seen a very large decline in loans and investments. There has been a substantial increase in currency hoarding.

In short, the banking factors making for pressure on the investment market are virtually as imposing now as they were two months ago. It is all the more impressive, therefore, that we have, and have had for one full month, a stable to firm market. Although little changed in total, it is possible that necessitous liquidation has become of calmer and more rational character, and that it is being conducted with greater discretion.

It is likely, also, that a moderate improvement in demand is indicated. It is not aggressive or enthusiastic, but it does serve for the present to maintain a substantially improved balance between supply and demand. Violent declines or advances in the investment market are, of course, equally abnormal. When bonds emulate stocks in the scope of their reaction, a general psychology of fear will usually be found to play a large part in the movement. That was the case in May. While it cannot be said that confidence has been restored, acute fear has lifted and the market is again free to exercise its normally deliberate judgment.

In the fundamental factors which determine bond prices there are no current changes of major importance. Gilt-edged bonds are still subject to a continuing underlying uncertainty regarding Federal finances. The Government's budget problem has not been definitely solved. It will necessarily involve further political action early next year. Thus, the investment market must remain more or less uncertain as to both the volume and character of prospective Federal financing. Neither in this regard nor in the prevailing subnormal attitude as to investment values is there much basis for significant or broad advance in prices in the early future.

On all bonds other than those of the highest quality prices will necessarily continue to be determined largely by the business considerations which apply to stocks. The fact is that the tremendous shrinkage of corporate earning power has placed in a speculative or semi-speculative position many bonds formerly regarded as sound investments. Aside from temporary rallies, it appears obvious that any genuine recovery in such issues will have to await an advance in the level of corporate earning power. *Only a limited minority of first mortgage issues offer enough in safety and yield at present to attract the discriminating private investor.* Indeed, it undoubtedly remains the part of wisdom to keep the bulk of one's funds liquid.



One need not, of course, look to any external factors to account for the moderate advance which the market has had from the recent all-time lows. Without any external change it was only natural that fear would wear itself out in due course and that the mere establishment of excessively low quotations would be followed by some degree of rebound. What is tentatively hopeful is that the ground recovered in the initial fast rally early in June has since been reasonably well maintained. Among representative bonds the maximum range of fluctuation during the past month has been no more than 2

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed on the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities at this time, we have "starred" those which appear to us the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

Note: Two considerations present themselves to the investor in relation to any bond today—the credit standing of the company and the current earning position. In appraisal, therefore, it is desirable to compare the price peak of 1929 and the number of times fixed charges were earned in that year with the relationship existing between price and earnings today.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned			Price		Yield to Maturity	COMMENT
			1929	1930	1931	1929 High	Recent		
Atch., Top. & Santa Fe Gen'l 4s, 1995	311	154	5.6	3.9	2.8	95	84	4.8%	High grade investment.
Chic., Burlington & Quincy Gen'l 4s, 1958	220	93	4.1	3.3	2.4	93⅛	82	5.3	Slightly lower in grade to Atch. Gen. 4s.
Chic., Rock Is. & Pacific Gen'l 4s, 1988	322	100	2.2	1.6	1.0	91	58	7.0	Stronger than present prices indicate.
Delaware & Hudson 1st & Ref. 4s, 1943	59	49	2.6	1.3	1.0	94½	73	7.7	Represents large proportion total debt.
Great Northern 1st & Ref. 4¼s, 1961	356	72	2.4	2.0	1.3	98	72	6.4	Business man's investment—subject to prior liens totaling 104 million dollars.
Illinois Central Coll. Tr. 4s, 1952	365	15	1.7	1.5	.8	93¾	43	11.2	Depressed by beclouded condition R.R. itself.
Louisville & Nashville Unified 4s, 1940	237	70	2.2	1.6	1.1	95¾	77	8.0	Reasonably strong issue.
★Missouri, Kansas & Texas 1st 4s, 1990	107	39	3.2e	2.8e	1.3e	89	68	6.0	e Earnings Missouri-Kansas-Texas, successor company.
Missouri, Pacific 1st & Ref. "F" 5s, 1977	410	224	1.7	1.4	1.1	100⅛	24	..	Road heavily over-capitalized.
N. Y. & Harlem R. R. Ref. (Now 1st) 3½s, 2000	670	12	2.8b	1.6b	1.0b	85⅛	71	5.0	b Earnings N. Y. Central, guarantor—High grade.
N. Y. Central & H. R. Mtge. 3½s, 1997	670	94	2.8a	1.6a	1.0a	86	71	5.0	a Earnings N. Y. Central System—strong issue.
N. Y., Chicago & St. Louis Ref. C 4½s, '78	148	86	2.2	1.6	1.0	97	17	..	Junior issue—outlook doubtful.
N. Y., N. H. & Hart. Conv. Deb. 6s, 1948	260	39	2.4	2.0	1.6	137	63	11.0	Speculative.
★N. Y., N. H. & Hart. Harlem River & Port Chester 1st 4s, 1954	260	15	2.4	2.0	1.6	90⅛	74	6.2	High grade railroad investment.
★Norfolk & Western 1st Cons. 4s, 1996	101	41	9.3	7.1	5.4	92¾	85	4.7	Exceedingly high grade investment.
Oregon-Wash. R. R. & Navigation 1st & Ref. "A" and "B" 4s, 1961	78	55	.8	.5	.2	91	71	6.2	Guaranteed by Union Pacific.
★Pennsylvania R. R. Cons. 4½s, 1960	608	93	2.3	1.9	1.3	101½	89	5.3	Strong investment issue.
Reading Co. Gen'l & Ref. "A" 4½s, 1997	122	74	2.9	2.0	1.4	99⅞	65	7.0	Road heavily capitalized.
St. Louis-San Fran. Prior Ln. "A" 4s, 1950	286	180	1.8	1.5	.8	89½	11	..	"Reorganization" of some sort likely.
Southern Railway 1st Cons. 5s, 1994	291	99	2.0	1.5	.7	110	70	7.2	Medium grade investment.
Southern Pacific 1st Ref. 4s, 1955	683	144	2.5	2.1	1.2	92½	65	7.1	Moderately strong issue.
★Union Pacific 1st R. R. & L. G. 4s, 1947	362	100	3.9	3.5	2.7	95½	91	4.8	High grade investment.
West Shore R. R. 1st 4s, 2361	670	49	2.8c	1.6c	1.0c	89½	68	5.9	c Earnings N. Y. Central, lessee—High grade.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned			Price		Yield to Maturity	COMMENT
			1929	1930	1931	1929 High	Recent		
Am. Gas & Electric Deb. 5s, 2028	197	50	2.5	2.4	2.2	97¾	77	6.5	Among the better holding co. investments.
★Ame. Tel. & Tel. Coll. 5s, 1946	458	67	7.0	6.1	6.4	104⅞	101	4.9	High grade investment.
Buffalo Gen. Elec. Gen. & Ref. "B" 4½s, 1981	39	30	4.7	4.0	3.5	..	96	4.7	Better grade investment.
Central Ill. Pub. Ser. 1st & Ref. "F" 4½s, 1967	55	55	2.4	2.3	2.0	97¾	63	7.5	Middle West control adverse influence.
Columbia Gas & Electric Deb. 5s, 1961	168	103	4.6	3.9	2.9	..	69	7.7	Large bank loans depressing effect.
Consumers Power 1st & Unif. 4½s, 1958	93	68	5.2	4.5	3.7	96¼	93	5.0	Com'nw'lth & South. control. High grade.
★Detroit Edison Gen. & Ref. "D" 4½s, 1961	129	119	3.3	2.9	2.9	..	91	5.1	Strong investment.
Duke-Price Power 1st "A" 6s, 1966	40	36	1.1	1.2	1.2	105½	38	..	Relatively thin equity.
Duquesne Light 1st "A" 4½s, 1967	70	70	5.3	6.8	5.4	100⅞	96	4.6	High grade investment.
Electric Power & Light Deb. 5s, 2030	271	31	1.7	1.5	1.4	..	36	13.9	Junior obligation in an exceedingly complicated capital structure.
Georgia Power 1st & Ref. 5s, 1967	118	98	2.8	2.7	2.2	98¾	78	6.6	Reasonably good investment.
Illinois Bell Telephone 1st & Ref. 5s, 1956	58	49	4.0	4.0	4.9	105	102	4.8	Exceedingly strong issue.
Louisville Gas & El. 1st & Ref. "A" 5s, '52	31	27	3.3	3.3	3.3	104	95	5.4	Good investment caliber.
Metropol'n Edison 1st & Ref. "D" 4½s, '68	41	40	3.2	3.3	2.5	99	78	6.0	Fixed charges still being earned by good margin.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
New York Edison Series "B" 5s, 1944	99	85	6.0	6.9	4.9	105	103	4.7	Strong investment issue.
★N. Y. Power & Light 1st 4½s, 1967	67	66	3.0	3.0	2.7	96	84	5.5	Better grade issue.
North American Deb. 5s, 1961	339	25	2.1	2.2	2.0	..	65	8.2	Holding co. obligation having merit.
Oklahoma Gas & El. 1st 5s, 1950	42	34	2.3	2.9	2.2	100	75	7.6	Recent franchise difficulty.
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	132	121	2.6	2.7	2.6	..	81	5.6	Reasonably strong investment issue.
Pub. Serv. No. Illinois 1st & Ref. 4½s, '81	123	40	2.6	2.6	2.5	..	66	6.9	Reasonably strong investment.
Puget Sound Pr. & Lt. 1st & Ref. 5½s, '49	75	36	1.9	1.9	1.7	101¼	59	10.8	Medium grade issue.
★United Electric N. J. 1st 4s, 1949	231	19	2.9f	2.9f	2.9f	..	92	4.7	f Earning Public Service Corp., N. J.—Highest grade.
Utah Power & Light 1st 5s, 1944	56	37	2.1	1.9	1.8	101	67	9.7	Medium grade.
Western Union Deb. 5s, 1951	108	75	5.3	2.8	2.1	103½	48	12.0	Steady decline in margin of safety.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
Abitibi Power & Paper 1st "A" 5s, 1953	54	49	2.6	1.8	1.3	85	19	..	Newsprint hard hit.
Aluminum Co. of Am. Deb. 5s, 1952	38	36	..	7.0†	3.5†	103⅛	83	6.5	Medium grade obligation.
American International Conv. 5½s, 1949	21	21	1.6	1.2	1.1	122¼	65	9.8	Asset value 12/31/31, $1,275.
American Radiator 4½s, 1947	10	10	22.4	8.8	1.3	99½	79	6.7	Strong issue, but business hard hit.
Bethlehem Steel 1st & Ref. 5s, 1942	137	25	4.8	4.8	1.0	104	76	8.6	Medium grade investment.
Chile Copper Deb. 5s, 1947	35	35	11.0	4.8	1.2	97	21	..	Copper tariff obscures outlook.
Com'l Investment Tr. Conv. Deb. 5½s, 1949	28	28	2.2	3.2	4.5	108¼	86	6.9	Substantial margin of safety in earnings.
Int. Cement Conv. Deb. 5s, 1948	18	18	NF	5.6	2.4	118¾	47	12.9	Hard hit by construction curtailment.
★Lehigh Coal & Nav. Cons. "A" 4½s, 1954	23	20	4.6	3.4	3.2	99¾	85	5.7	High grade issue.
Lorillard (P.) Co. 7s, 1944	20	9	1.7	2.8	3.7	113½	105	6.4	Reasonably secure investment.
McKesson & Robbins Conv. Deb. 5½s, 1950	21	21	..	2.9	2.2	..	23	..	Company in uncertain financial position.
National Dairy Products Deb. 5¼s, 1948	77	75	10.4	6.8	6.0	99	78	7.7	Among the better industrial debentures.
National Steel Corp. 1st Coll. 5s, 1956	43	40	..	11.4	3.1	..	61	9.0	Industry hard hit—Medium grade.
Pennsylvania-Dixie Cement 1st 6s, 1941	10	10	1.5	1.9	def	97¼	27	..	Hard hit by the slump in construction.
★Procter & Gamble Deb. 4½s, 1947	11	11	40.2	46.9	46.2	98⅝	100	4.5	In the highest class of industrial investment.
Remington Rand Deb. "A" 5½s, 1947	21	20	3.1	5.7	2.1	98	37	..	Speculative—Outlook uncertain.
Sun Oil Deb. 5½s, 1939	12	8	12.9	11.4	5.4	102	92	6.8	"Medium to strong" issue.
Swift & Co. 1st 5s, 1944	55	22	NF	3.3	3.5	102¼	100	5.0	Well secured bond.
Youngstown Sheet & Tube 1st "A" 5s, '78	94	94	6.9	2.9	Def	102	55	9.2	Unsatisfactory earnings continue.

Short Term Issues

Company	Due date	Amount of this issue (millions)	Fixed charges times earned 1930	1931	Recent Price	Yield to Maturity	COMMENT
Allis-Chalmers Deb. 5s	5.1.37	15	5.4	2.5	70	13.4	Drastic recession in recent earnings.
Am. Sugar Refining Deb. 6s	1.1.37	8	6.2	7.1	103	5.3	Being steadily retired.
Am. Telephone & Telegraph Conv. Deb. 4s	3.1.36	3	6.1	6.4	99	4.3	High grade issue.
Atlantic Refining Deb. 5s	7.1.37	14	4.6	1.6	94	6.4	Reasonably safe investment.
California Gas & El. Unif. & Ref. Mtge. 5s	11.1.37	13	2.4	2.4	101	4.8	Assumed obligation Pacific Gas & Electric.
★Chicago Gas, Light & Coke 1st 5s	7.1.37	10	3.0	2.9	101	4.7	Exceedingly high grade investment.
Colorado & Southern Ry. Ref & Ext. 4½s	5.1.35	36	2.1	1.2	74	..	Recent earnings off badly.
Commercial Credit Notes Series "A" 6s	11.1.34	4	1.8	2.0	95	9.6	Sound medium grade issue.
Con. Gas El. Lt. & Pwr. (Balt.) Gen. 4½s	2.14.35	15	3.6	3.4	100	4.5	Strong investment
Cudahy Packing Deb. 5½s	10.1.37	12	2.5	2.4	77	11.7	Probably over depressed at present prices.
Denver & Rio Grande Cons. (now 1st) 4s	1.1.36	41	1.3d	.9d	35	..	d Earnings Denver, Rio Grande, Western, successor company.
Detroit Edison 1st & Coll. 5s	1.1.33	10	2.9	2.9	101	3.0	Of the highest class.
General Motors Acceptance Deb. 6s	2.1.37	33	1.9	1.9	102	5.5	Businessman's investment.
Gulf Oil Deb. 5s	12.1.37	28	3.0	Def.	95	6.1	"Medium to high" grade issue.
★Humble Oil & Refining Deb. 5s	4.1.37	20	7.8	2.1	101	5.0	Normally a wide margin earned over int. requirements. High grade.
Midvale Steel & Ordnance Cons. 5s	3.1.36	33	4.3	1.0	79	12.6	Guaranteed by Bethlehem Steel.
★New York Telephone 1st & Gen. 4½s	11.1.39	61	3.8	4.7	100	4.5	Gilt-edged.
Norfolk & Western Imp. & Ext. 6s	2.1.34	5	7.1	5.5	102	4.6	High grade issue.
★Pacific Tel. & Tel. 1st & Col. 5s	1.2.37	27	3.8	4.5	102	4.5	Of the highest grade.
Pennsylvania R. R. Sec. 6½s	2.1.36	60	1.9	1.3	87	11.1	"Medium to high" grade obligation.
Union Electric Light & Power (Mo.) Ref. & Ext. 5s	5.1.33	20	2.9	3.1	101	4.0	No refunding difficulties anticipated.
V'ginia Rail & Pr. 1st & Ref. (now 1st) 5s	7.1.34	11	3.2	3.1	97	6.6	Strong issue.
W'n N. Y. & Pennsylvania R. R. 1st 5s	1.1.37	10	1.9	1.3	90	7.6	Penn. R. R. control—good investment.

★ Our preferences in above list. † Indicated approximately. NF—Not available.

WESTERN UNION TELEGRAPH CO.

Handicapped by 100% Over-Capacity

Company's Future Dependent on General Business—Investors Watch Activity Index

By Henry Richmond, Jr.

WHY was the Western Union Telegraph Co., which has paid uninterruptedly cash dividends on its common stock since 1874, obliged to omit, within the last month or so, such payments altogether? And furthermore, what are the prospects of the company attaining again a satisfactory earnings basis? These are questions of the greatest moment to 35,000 stockholders, owners of some $110,000,000 in bonds and are at least of passing interest to a public, wondering at the decline of a great company.

Interest Charges, Earnings and Revenues Compared

Year		Gross operating revenue	Bond interest	Bond interest times earned	Net income	Earned per share
1931	....	$108,736,949	$5,357,315	$2.12	$5,974,499	$5.72
1930	....	130,581,558	5,047,579	2.83	9,247,032	9.03
1929	....	145,667,196	3,610,065	5.29	15,474,393	15.12
1928	....	136,449,513	3,609,406	5.29	15,467,659	15.11
1927	....	131,771,003	3,584,331	5.19	15,030,453	15.06
1926	....	134,464,886	2,426,145	7.27	15,205,049	15.24
1925	....	127,078,023	2,336,516	7.93	16,186,259	16.22
1922	....	105,447,748	2,306,850	6.70	13,158,180	13.19
1921	....	104,155,113	1,635,183	6.89	9,633,806	9.65

Expansion Was Necessary

The cause of Western Union's present troubles are fundamental. The telegraph business by its very nature must necessarily go forward, at least slowly. Suppose any extraordinary activity in any section of the country—the Florida boom, for example. Existing facilities are insufficient to care for the increased business. Circuits, if the company wants this business, have to be expanded and perhaps others added, together with all kinds of new equipment. The actual assembly of all this is expensive but, under ideal conditions, the total cost would be amortized over a period of years. Unfortunately, however, the bubble bursts. For the most part it is much too costly to dismantle the recently constructed facilities, ship them somewhere else, and reuse them. About the only thing to be done is to wait and pray for the territory's general business to expand again.

So far as Western Union is concerned the whole country—indeed, the world for that matter—enjoyed a kind of Florida boom from 1921 to 1929. The company can now point with pride to 219,298 miles of pole lines, 1,875,-812 miles of wire, 3,879 miles of land-line cable, 30,768 nautical miles of ocean cable and 23,490 telegraph offices. But, and this is particularly important, in its own annual report there is the statement: "Improvements have so increased capacity of plant that present facilities are adequate for the handling of approximately double the present volume of business." Or, crudely putting it another way, it means that so long as business continues at its present low level Western Union has to maintain, depreciate, amortize and pay interest upon a vast amount of equipment which is earning nothing at all.

Whether the company could have avoided, at least in part, what is now manifestly gross over-expansion is an open question. The business was there to be had and the company naturally sought it. But it might perhaps have foreseen, particularly in regard to certain sections of the country, that the feverish activity was of a transient nature and that telegraphic facilities for the moment temporarily inadequate would soon prove more than ample

Debt Position Onerous

Even over-construction, however, is seldom permanently disastrous unless it is done with borrowed money. Unfortunately, Western Union not only over-built, but as is far too common, did it largely by creating debt. Let us examine some of the figures bearing on this point.

At the end of 1925, Western Union carried plant equipment and real estate at $255,000,000, from which may be deducted various reserves for maintenance and depreciation, giving a net of about $208,000,000. At the same time funded debt totaled only $47,559,500,

or about 22% of fixed asset values. At the end of last year plant, equipment and real estate was carried at more than $332,000,000, while reserves for depreciation amounted to $42,000,000, giving a net of $290,000,000 for this item. But over these six years funded debt has risen to nearly $108,000,000, or about 37% of fixed asset values.

Less objection could be found to this showing if it could be said that the company's depreciation had been particularly liberal in recent years, or if revenues had risen in proportion to the additional fixed capital. Unfortunately, neither is true. Depreciation reserves which were more than 14% of fixed asset gross in 1925 were only 13% of fixed asset gross in 1931. As for revenues, a net increase of $56,000,000 in fixed capital, produced an increase even in the boom year 1929 of only $18,500,000. This is to say that whereas the value of plant increased nearly 27%, the additional facilities produced an increase of only about 14½% in gross revenues—and this in the most favorable year in the company's history, 1929. On the record it would seem that the company had not only been expecting the late-lamented boom to last but that it would double in intensity. For otherwise how could it have so weakened its position?

Small Margin for Safety

Turning again to the money borrowed by Western Union to finance the expansion of plants and comparing it with net income, it will be found that the borrowed money was barely capable of paying its way. Debts were created well ahead of the current general disaster bearing interest at 5%, which were only capable of earning some 5% in the business. There was no new margin of safety for the new money worth the name and as a result the times by which Western Union earned its bond interest has trended steadily downwards since 1925 until the present time.

The part played by borrowed money in Western Union's present troubles can be further appreciated by comparing the situation today with that existing during the depression of 1920 and 1921. The company's revenues last year, which are commonly thought to have been very poor were materially in excess of those of 1921 and 1922. Yet, whereas bond interest was earned in those two years some 6¾ times over and the company was enabled to earn and pay $7 a share in dividends on its common stock, in 1931 interest was covered but slightly more than twice and a $7.50 common dividend resulted in a deficit of $1,863,184.

Sending, Receiving and Routing Messages By Latest Means

Passing from the cause of Western Union's present difficulties, let us attempt to judge how deeply the company is involved. Last year, as has been seen already, the company sustained a substantial deficit after common dividend requirements, while this year common dividends were passed altogether. Nevertheless, fixed charges were reported earned by a small margin for the first six months. It would therefore seem, despite the fact that the company has been obliged to borrow from the banks to the extent of some $1,500,000, that matters are not yet dangerously serious. But what would be the position with a further loss of business, and is this not likely to be brought about by the recently enacted tax of 5% on telegrams?

The company itself, of course, can economize further and might possibly offset to some extent a loss of business by instigating new services, pushing those recently started, or by more extensive co-operation with other concerns. It has, however, gone quite a distance along this road already. Wages were reduced 10% last November, while this year the supervisory staff was reduced to a five-day week and other economizing internal changes made. Also, the company has introduced several new services in comparatively recent times. Unfortunately, they have not yet resulted in material profits. In regard to the new serial letter service available to some 8,000 patrons through an arrangement with the Postal Telegraph companies, Western Union stated in its last annual report that the aggregate business of all the companies offering such a service had been negligible. As for co-operation with other companies, Western Union already has agreements with the American Telephone & Telegraph Co. for the acceptance and delivery of telegrams by telephone; with R. C. A. Communications, Inc., for handling over Western Union landlines radiograms, except in a handful of cities where Radio maintains its own offices; with various oil companies for the acceptance of telegrams at filling stations; and with the American Express Co. for the acceptance of telegrams at its offices. Therefore, it would seem on the face of it that further progress along these lines must be strictly limited.

The Tax Problem

The tax problem is becoming even more serious. Not only is there the new Federal tax of 5% on the amount charged for telegrams and a tax on cables, radios and leased wires, but state and local levies on Western Union's property continue to grow. Last year, despite the fact that the company's business was materially under that of 1929, these local taxes were higher and were equivalent to $3.36 on each of the 1,045,280 shares of capital stock outstanding. Western Union, therefore, not only has too much property and is paying interest to outsiders on the unproductive part of it, but is paying taxes on it, to boot. The Federal taxes are less burdensome, for they vary directly with revenues. They will, however, undoubtedly act to curtail business, although it is, of course, yet much too early to attempt a guess as to how much.

In addition to the burden of over-capacity, an unfortunate creaton of debt and constantly growing taxes, there is the question of competition. Despite the fact that Western Union does some 80% of the country's telegraph business and there is little reason to suppose that any material proportion of this will be lost

(Please turn to page 422)

After Three Years of Depression—

What is the Investment Outlook For These Companies?

THE series of brief sketches below deals with important companies in which there is broad security interest. Investors will find in them a concise picture of how corporations in which they are present or prospective partners are meeting the difficulties of these unusual times. The analyses are designed to fill this need and are not to be construed as recommendations for present purchase. In fact, numerous companies in an unfavorable position will be frankly discussed as well as those more fortunately situated. Selections may of course be made from those favorably described but even in these it is not recommended that commitments be assumed until general counsel to do so is given in the market article which appears in each issue of this magazine.

It will be noted that at the top of each analysis there is a suggestion as to the trend of the industry—and an indication of the company's financial strength. On the basis of quick assets, particularly cash, many stocks appear cheap but it should be borne in mind that the predominant factor in fixing present-day prices is current earning power—not the earning power in prospect or of recent years or even last year but earning power today under adverse conditions.

National Cash Register Co.

Position of the industry: Depressed by the world-wide curtailment of business activity.

Co.'s working capital per share	**$20.12**
Cash or governments per share	**3.25**
Latest earnings quarter to 3/31/32 per share	**Nil**

Price	Div.	Yield
$7.75	—	—

MANUFACTURING cash registers, accounting machines, files and other business devices, the National Cash Register Co. has been quite severely hit by the present depression. Business at home has been affected by the lack of new enterprise and a normally small replacement demand has been further cut by the second-hand equipment which has been thrown on the market during the last two or three years. Abroad, to these adverse factors must be added tariffs and foreign exchange difficulties.

The company's capitalization consists of Class "A" stock and Class "B" stock. The former entitled to cumulative dividends at the rate of $3 annually is virtually an ordinary participating preferred stock, for after $3 has been paid on the "B" the two classes participate equally in further disbursements. It is with the "A" stock that we are concerned. Earnings in 1929 were equivalent to $7.01 a share on this issue, in the following year to $3.01 a share, while for the past year only 69 cents a share was shown. For the first quarter of the present year the company sustained a net loss of $339,654. No dividends are currently being paid on the Class "A" stock.

Despite the fact that National Cash Register's future is the more promising on account of a sound financial position, the efforts being made to widen the scope of operations, and the present tendency on the part of unemployed and others to open up small retail businesses, the "A" stock must be considered distinctly speculative under present day standards.

Eastman Kodak Co.

Position of the industry: Moderately affected by the curtailment of general business throughout the world.

Co.'s working capital per share	**$27.29**
Cash or governments per share	**7.23**
Latest earnings year 1931 per share	**5.78**

Price	Div.	Yield
$38	$5	13.2%

AS is the case with most other things, the world is not now buying cameras as in the recent past, nor is it buying as many films, nor is it attending as many motion picture performances. Also, the demand for certain chemical products has declined. And the result of these developments has been adverse to the business of the Eastman Kodak Co. Earnings which were equivalent to $10.26 a share in 1929, fell to little more than half this in the past year.

Despite lower income, however, the company has continued its ambitious plans for expansion and improvement. Last year the acetate plant at Kingsport, Tennessee, was expanded at a cost of $1,500,000, while additions were also made to the company's distributing system. Moreover, several new products were developed, including an extremely sensitive film. Abroad, the company acquired the Nagel Works at Stuttgart, Germany, and will very shortly import into the United States cameras made there.

Eastman publishes no interim reports so that it is impossible to know how the company is faring in the current year. It would not be surprising, however, if earnings have dropped below requirements for the regular $5 dividend. In which case, despite a more than ordinarily strong financial position, a reduction in the payment will not unlikely take place. Nevertheless, considering the longer term, there are not many companies which dominate a field in the way Eastman Kodak does and there is every reason

to suppose that eventually the company will attain again a position where stockholders can be treated generously.

Allied Chemical & Dye Corp.

Position of the industry: Affected by drastic decline in general business activity.

Co.'s working capital per share	**$60.56**
Cash per share	**8.33**
(Governments and marketable sec., at market 12/31/31)	**26.00**
Latest earnings year 1931 per share	**6.74**

Price	Div.	Yield
$47	$6	12.7%

AS the leading manufacturer of heavy chemicals in the country, Allied Chemical & Dye Corp. has naturally been adversely affected by the drastic decline in general business activity which has taken place over the past few years. The company's output also includes road building materials, roofing, dyes and nitrates and the demand for these too is undoubtedly at a comparatively low ebb. As a result of these factors, earnings which were equivalent to $12.60 a common share in 1929 declined to $9.77 in the following year and to $6.74 in the past year. The latest showing was barely sufficient to cover regular dividend requirements of $6 a share. While no interim reports are made, it was officially stated that earnings in the first quarter of the current year actually fell short of the common dividend by a small amount. The question therefore naturally arises as to whether or not the present rate is safe. Allied Chemical is immensely strong financially and has no funded liabilities about which to worry. In view of this the directors might well decide to continue the payment of unearned dividends for a short time. They will not, however, continue to do this indefinitely and any further decline in the company's business from this point would not unlikely be the signal for an immediate reduction. Without venturing an opinion as to the temporary fluctuations in Allied Chemical common, the company's predominant position in an essential and growing field must be weighed in any consideration of the longer term investment outlook.

McIntyre Porcupine Mines, Ltd.

Position of the industry: Booming on the drop in commodity prices.

Co.'s working capital per share	**$3.70**
Cash and marketable securities per share	**3.59**
Latest earnings year to 3/31/32 per share	**2.65**

Price	Div.	Yield
$15	$1.50	10%

OWNING some 500 acres of gold bearing land in the Porcupine District of Ontario, McIntyre Porcupine Mines, Ltd., is one of the greatest producers of this precious metal in the world. The company also has substantial interests in other concerns owning coal fields in Alberta.

If one considers the present depression, of which the drastic slump in commodity prices is one of the worst features, as being a gold boom, it is not difficult to understand why McIntyre's earnings are currently at a high level. Of course, if the company's ore were petering out, this might offset the favorable fundamentals. Actually, however, while the ore being worked at present is down somewhat in grade, development work has indicated the existence of richer and more extensive deposits.

For the year ended March 31 last, McIntyre Porcupine reported earnings equivalent to $2.65 per share of common stock, compared with $2.23 for the previous year. The stock is now on an annual dividend basis of $1.50 in U. S. funds and there is every indication of the company being able to maintain this rate. While the business of mining must the considered inherently hazardous from an investor's point of view, this particular enterprise gives evidence of being long-lived and profitable. Nevertheless, it must be remembered, other things being equal, that a return to more prosperous conditions in general business will mean corresponding adversity to the producers of gold.

J. I. Case Co.

Position of the industry: Depressed by world-wide agricultural adversity, tariffs and foreign exchange restrictions.

Co.'s working capital per share	**$177.53**
Cash or governments per share	**5.56**
Latest earnings year 1931 per share	**Nil**

Price	Div.	Yield
$26	—	—

THE low ebb to which agricultural purchasing power throughout the world has fallen is directly reflected in the business of the J. I. Case Co. Speaking generally, it may be said that at home deliveries are slow and collections slower, while abroad the same adverse conditions prevail with the addition of foreign exchange complexities. Last year the company was obliged to make a charge of more than $1,000,000 for foreign exchange depreciation and it was owing solely to this that a net loss before preferred and common dividends was reported.

Nevertheless, despite the fact that actual operations have not so far resulted in large losses, financial position is not very reassuring. The effort to obtain business has forced the company to extend a record amount of credit to individuals and customers' notes receivable together with inventories make up by far the greater portion or working capital. Intensification of the poor agricultural situation might easily result in large losses being taken on these items even allowing for reserves. However, the company is fortunate in having no capital liabilities outside of $1,500,000 in bank loans.

While the J. I. Case Co. has been making every effort this year to reduce receivables and inventories and curtail operating and overhead expenses, it would seem the wisest investment policy to await definite news of the measures' success before becoming financially interested in the company.

United Gas Improvement Co.

Position of the industry: Inherently stable, but subject to governmental interference by direct regulation and through the tax power.

Co.'s working capital per share	**$1.11**
Cash or governments per share	**.87**
Latest earning year to 3/31/32 per share	**1.44**

Price	Div.	Yield
$13	$1.20	9.2%

THE United Gas Improvement Co. possesses an unbroken dividend record extending over a period of 46 years. While technically a holding company, its capitalization has been so arranged that a very fair proportion of total gross revenues is carried down to the common stock. This large common stock equity makes reasonable fluctuations in the company's business comparatively unim-

portant to a holder of the shares, although as a matter of fact in this particular case gross has held up very well.

The system's consolidated net income was equivalent to $1.46 a share last year, while for 1930 $1.54 was shown. For the twelve months ended March 31 of this year earnings equivalent to $1.44 a share were reported. Incidentally, the recent reduction of the common dividend of Public Service Corp. of New Jersey means a reduction of less than 2 cents a share on the outstanding stock of the United Gas Improvement Co., despite the fact that the latter owns some 36% of the Jersey utility's common shares.

The $1.20 annual dividend at present being paid by the United Gas Improvement Co. appears to be well within the company's capacity and at present prices the yield afforded seems to be a very fair one.

National Biscuit Co.

Position of the industry. Much less adversely affected than most lines.

Co.'s working capital per share	**$5.71**
Cash, governments, or municipals per share	**4.69**
Latest earnings quarter to 3/31/32 per share	**.60**

Price	Div.	Yield
$25	**$2.80**	**11.2%**

CONTINUING to carry out, despite the depression, its steady and conservative expansion program, the National Biscuit Co. has made a very fair showing under generally adverse conditions. Indeed, it is only recently that the company's earnings have dropped to a point where the continued payment of a boom time dividend can be seriously questioned. For last year $2.86 a share was reported, compared with $3.40 for 1930. The first quarter of this year produced earnings of 60 cents a common share, against 70 cents in the corresponding previous period. As a regular dividend of $2.80 is being paid, the latest available report makes it doubtful whether this sum can be earned in the present year. And an unearned dividend is never entirely safe. At present prices, however, the stock seems to have discounted any reduction which is likely to take place, at least under present conditions.

Whether the business of the National Biscuit Co. will be further affected by the urgent need for economy on the part of the general public appears to depend upon whether the worst of the present catastrophe has been seen. If the worst is not over, it is reasonable to suppose that Biscuit's earnings will slump further. On the other hand, with the return of even a reasonable degree of prosperity the company's recently effected expansion and the greater efficiency with which it is operating would possibly put earnings to a new high record.

Coca-Cola Co.

Position of the industry: While many well-known soft drinks have been hit by falling sales, Coca-Cola's business is exceptional. Some danger in taxation, however.

Co.'s working capital per share	**$13.97**
Cash, U. S. and Canadian governments per share	**7.65**
Latest earnings quarter to 3/31/32 per share	**1.80**

Price	Div.	Yield
$78	**$7 + $1 extra**	**10.2%**

REGARDLESS of depression, weather, and intense competition Coca-Cola continues in ever-increasing demand. The company's earnings last year registered a new high record at $11.82 a common share. In 1930, $11.15 was shown. The decline in per share earnings for the first quarter of the present year is unofficially reported to have been caused for the most part by non-recurring charges.

Assuming—and there is every precedent for doing so—that no company can arise to take Coca-Cola's place in the soft drink field, there are but two factors to be seriously considered for their possible adverse effects upon the Coca-Cola Co. The first is the repeal of Prohibition. While by no stretch of the imagination could this be considered constructive for the soft drink industry, in all fairness it must be said that Coca-Cola has gone ahead by leaps and bounds in neighboring alcoholic territories such as Canada. The second factor is taxation. The recently enacted Federal law imposed a levy on soft drinks and fountain syrups. Now, it is essential that Coca-Cola be sold at five cents a drink to maintain its present popularity, so that any tax must be absorbed either by the company itself, its wholesalers, bottlers, or retailers. Whatever the disposition of the present tax, however, it will not in itself endanger either the regular dividend of $7 nor the customary extra of $1. The real menace lies in the possibility of increased levies, perhaps on the part of states.

But to over-emphasize these distant dangers in the face of Coca-Cola's recent record and well-sustained present earning power is to condone the pessimism of the times.

American & Foreign Power Co., Inc.

Position of the industry: Adverse effects of world-wide depression intensified by the difficulty of procuring gold exchange.

Co.'s working capital	**Deficiency**
Cash or governments	**$7,372,430**
Latest earnings year to 9/30/31 per share	**Nil**

Price	Div.	Yield
$3	—	—

WITH the greater part of operations concentrated in Cuba, Brazil, Chile, Argentina, Mexico and China, it is small wonder that the American Foreign Power Co. is passing through a difficult period. In the first place, business activity in all of these countries has declined severely with the result that power output has been affected. In the second place, whether or not rate structures are periodically adjusted to gold, actual revenues are in foreign currencies—for the most part depreciated and subject to rigid exchange control. Under these conditions it would be quite possible, though not necessarily certain in this particular case, for a company to be forced to default on obligations in gold dollars despite theoretically more than ample funds lying in foreign banks. For this reason Foreign Power's earnings statements, using the average quoted cable rates in New York for each month, by themselves are somewhat misleading as an indication of the immediate future, because it may never be possible to buy gold dollars at the quoted rates. The company was able to show $7 and $6 preferred dividends earned more than 2½ times over last year, yet disbursements on these two issues were stopped in March. American & Foreign Power's large floating debt also promises to be a major problem. In the latest available balance sheet as of September 30 last, the company had outstanding $50,000,000 in bank loans payable next October and was also indebted to the Electric Bond & Share Co. on notes and loans to the extent of nearly $34,000,000. On whether or not these advances can be extended and eventually refinanced on a satisfactory long-term basis depends the existence of the company in its present form. As matters now stand a commitment in the

common or preferred stocks must be considered very definitely a speculation.

Socony-Vacuum Corp.

Position of the industry: Internal chaos—now showing some signs of improvement—has more than offset virtual immunity to effects of depression.

Co.'s working capital per share	**$8.13**
Cash or governments per share	**.64**
(Marketable sec. cost $1.36—market 12/31/31	**$1.34)**
Latest earnings year 1931 per share	**Nil**

Price	Div.	Yield
$8	$0.80	10%

REPRESENTING the merger of the Standard Oil Co. of New York and the Vacuum Oil Co., which became effective almost exactly a year ago, the Socony-Vacuum Corp. issued its first consolidated report at the end of last year. A net loss of slightly more than $4,000,000 was shown, although this was after the deduction of some $47,000,000 for depletion, depreciation and amortization reserves, which represents about $1.50 a share on the company's outstanding stock.

The oil industry has just passed through an intensely critical period with over-production and cut-throat competition, bringing many units in the field close to ruin. And now just as a measure of sanity is returning, the depression has so deepened that the industry, it seems, is to suffer from a temporary curtailment of that immense advantage of a constantly growing demand for its products. This may possibly undo to some extent the control and co-operation which is now being achieved. Conditions, however, can hardly again become as chaotic as in the recent past. In addition to the somewhat improved fundamental outlook, it may be said definitely that the Socony-Vacuum Corp. will definitely be among the survivors, come what may.

General American Tank Car Corp.

Position of the industry: Affected by less active business, but far less than transportation in general.

Co.'s working capital per share	**$10.75**
Cash or governments per share	**4.40**
Latest earnings quarter to 3/31/32 per share	**.50**

Price	Div.	Yield
$10	$1	10%

UNTIL quite recently the General American Tank Car Corp. was dependent for the greater part of its business on the petroleum industry. Now, however, owing mainly to the development of all kinds of special cars, operations are well diversified, with food products accounting for the greatest proportion. The company, of course, has felt the slower tempo at which almost all business is now running. Indeed, the railroad equipment building division must have been quite severely hit. Nevertheless, earnings equivalent to $5.33 a share of common stock were reported for last year. In 1930 $8.03 a share was shown. Even though income has registered a distinctly downward trend, which was continued in the first quarter of the present year, the company's showing is far better than either the average railroad equipment or the average railroad.

The present low price of the stock, however, appears to rest more on possible financial trouble than a lack of earnings. Last year General American Tank Car was obliged to borrow from the banks the sum of $4,500,000, while this year's maturities total slightly more than this. Though these obligations are small really in relation to the size of the company's business, such are the times that they must not be under-estimated. All in all, however, we are inclined to believe that the company will succeed in surmounting its immediate financial difficulties.

American Home Products Corp.

Position of the industry: Profits from trade-marked specialties have so far been sustained.

Co.'s working capital per share	**$4.64**
Cash or governments per share	**2.99**
Latest earnings quarter to 3/31/32 per share	**1.45**

Price	Div.	Yield
$28	$4.20	15%

MANUFACTURING such well-known products as "Hill's Cascara," "Freezone" and "Kolynos" and continually adding to its line, American Home Products Corp. is among the very few companies which managed to better 1929's per-share earnings in the two succeeding years. For 1929 earnings were equivalent to $5.47 a share, for the following year to $5.50, while in 1931 $5.52 was reported. It is therefore apparent that the company's dividend of 35 cents a month, a total of $4.20, has been covered with a reasonable margin to spare.

The depression interfered in no way with the American Home Products Corp.'s expansion plans. The most recent important acquisition was the business of John Wyeth & Bro. of Philadelphia, one of the oldest makers of pharmaceutical products in the country. Because the business was purchased for cash, American Home Products was obliged to borrow some $1,800,000 from the banks, but apart from this the common stock represents the only capital liability.

Despite the fact that American Home Products operates in a field where considerable price cutting has taken place in recent times, the showing thus far in the present year has been entirely satisfactory. For the first quarter $1.45 a common share are shown and the first half is almost certain to be above last year's. At the current price of $28 a share the stock seems to have discounted much adversity of which there are few signs at the moment.

Crown Cork & Seal Co., Inc.

Position of the industry: Some divisions hold up reasonably well; others are off quite severely.

Co.'s working capital per share	**$12.71**
Cash or governments per share	**3.08**
Latest earnings quarter to 3/31/32 per share	**Nil**

Price	Div.	Yield
$12	$1.20	12%

THE container stopper division of the Crown Cork & Seal Co.'s business has been comparatively good if due allowance is made for seasonal slowness during the winter months. On the other hand, the desire to conserve cash has caused many bottlers to operate their machines longer than usual and replacement sales of bottling machinery have been poor. Also, the company's recently acquired subsidiary, Detroit Gasket & Manufacturing Co., has been adversely affected by the low ebb to which automobile production has fallen. As a result of these factors, together with the poor season for the company's best

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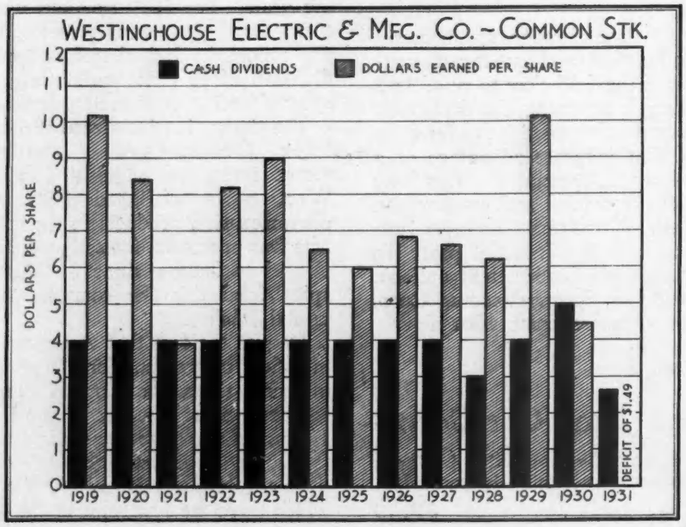
WESTINGHOUSE ELECTRIC

Appraised at 45 Million—and Worth?

No Funded Debt, No Bank Loans, Selling for Less Than Net Working Capital, but Earnings Nil at Present—What Is the Outlook?

By Nicholas T. Calhoun



IN the booming days of 1929 the common stock of the Westinghouse Electric & Manufacturing Co. was popularly regarded as a prime investment. It was bid up to a price of 292⅝, at which the dividend yield was less than could have been obtained from the finest tax-exempt bond. That, of course, was a ridiculous over-appraisal made possible only by the then existing fallacy that American industrial profits would continuously expand.

In recent trading Westinghouse has sold as low as 15⅝. Even though it no longer pays a dividend, this price is probably an under-appraisal, scarcely less absurd in its disregard of intrinsic values than the opposite exaggeration of 1929. Let us see:

Assets of 222 Million Dollars

At the price of 15⅝ the total market appraisal of the outstanding 2,586,181 common shares of Westinghouse is approximately 41 million dollars. There is no funded debt, no notes, no bank loans. Including the small issue of preferred stock at par of $3,998,000, the current market places a security valuation of approximately 45 millions on this property.

Yet the latest available balance sheet, after liberal write-downs and reserves, shows total Westinghouse assets of 222 millions. If we assume that the factories, real estate, plant equipment, patents and investments in affiliated companies are worth exactly nothing, there is still left net working capital of 93 millions, or more than twice the total valuation placed by a pessimistic market upon outstanding securities. Moreover, if we lean so far to the side of conservatism as to suppose that 68 millions of dollars' worth of inventories and accounts receivable could be liquidated for merely enough to meet current liabilities, which total 7 millions, there would be left approximately 32 millions in cash and marketable securities. In short, Westinghouse sells in the market for very little more than its cash liquidating value and for substantially less than its net working capital per share. Little or no allowance is made for the possibility that the company's extensive properties will some day again be earning normal profits.

It is necessary, of course, to recognize that such considerations throw no helpful light upon the immediate investment prospect. Financial strength, while admirable, necessarily carries with it the reservation in this instance that it is being gradually consumed by continuing deficits. No one knows how long depression will last, although it can be reasonably estimated that it would have to last much longer than any depression has ever before lasted to destroy Westinghouse.

Deficit Temporary?

It is true also that the current market price of a stock is always established with greater regard for earnings than for assets. Yet no fixed investment rule should be slavishly followed in this regard. Over a period of time earnings of virtually any industrial enterprise fluctuate greatly. High earnings and high market quotation may be far from truly indicative of reasonable average values over a protracted period. Similarly, low earning power or the disappearance of earnings may be temporary, with the result that a market price made on this basis may be far out of line with the actual future prospect.

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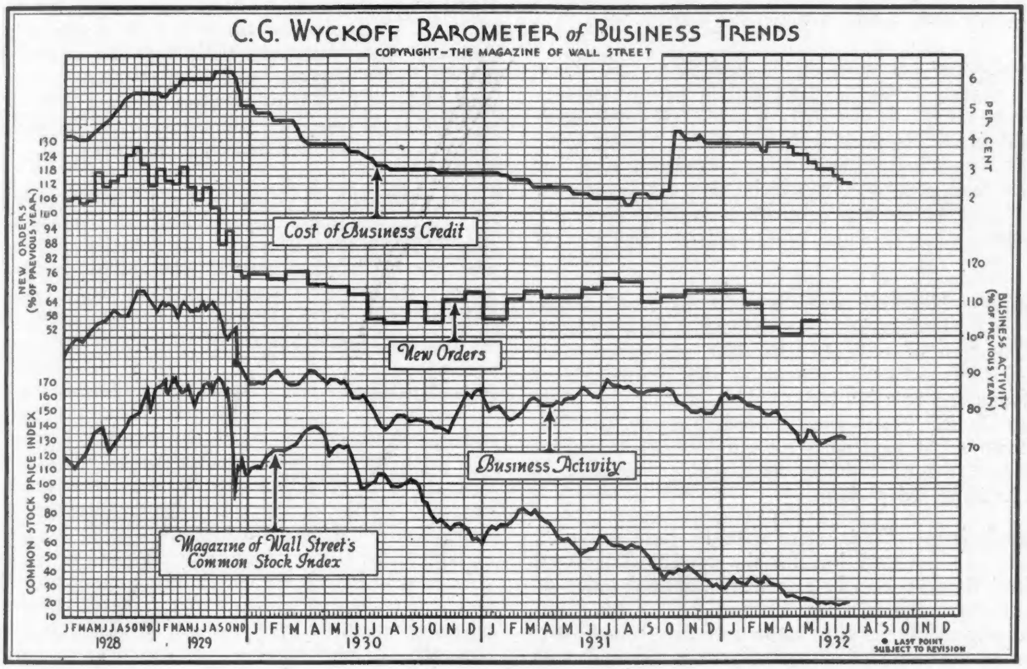
Taking the Pulse of Business

Improving Prices for Agricultural Commodities—An Important Development—A Few Industries Turn Up



THE outstanding bright spot in a generally depressed business picture is the further notable rally in commodity prices, a movement which has now continued for more than a month. This performance, of course, is only tentatively encouraging, since it remains to be seen whether it will be maintained in coming weeks. Yet it is hopeful that the scope of the average recovery is the sharpest in two years. Although the gain is accounted for almost entirely by agricultural commodities, it is this group in which improvement was most needed. Moreover, this could not have raised the general commodity average if other groups were not at least showing greater stability.

There is encouragement also in the latest figures on currency circulation, which show a return flow of $61,000,000 to the banks. Fears of bank failures evidently have waned. The real picture, however, remains somewhat obscure. Part of the recent large gain in circulation was due to the usual Independence Day demand for currency. An unknown proportion of it also was due to the new Federal tax on bank checks, the effect of which is to increase cash transactions.

In a few industries, such as petroleum, coal, sugar, live-stock, tanning and meat-packing, moderate improvements appears to be in progress. For most other industries the slight rise observable in our New Orders and Business Activity indexes merely signifies that recession is now at a slower pace than last year at this time. The recent firmness of the bond market may be tentatively accepted as indicative of increased confidence among investors. The recent rally in stocks is of doubtful import, at least in its early stages.

Viewing the Barometer, as a whole, one receives the impression that Business would be about ready to improve of its own accord if the world's politicians should cease to interfere with the normal working of economic forces and proceed to remove previously erected barriers to the natural movements of goods and prices. The tentative accord at Lausanne on German reparations is a step in the right direction, but many more obstacles remain to be surmounted before the world's foreign trade can return to its normal channels, and it is doubtless in recognition of this that the news met with little immediate enthusiasm save in the markets for international commodities and foreign government bonds.

Of greater significance to business prospects at home is the rise in livestock prices which, during the past month, is estimated to have added a quarter of a billion dollars to our agricultural wealth. Liquidation in the hog market has been complete, thanks to the automatic purging process of natural economic forces unhampered by a meddling Farm Board, and the Middle West is already rejoicing over its enhanced purchasing power and improved business outlook.

The Trend in Major Industries

Steel—Operations during the holiday week dropped to only 12% of capacity. Steel ingot output of 897,000 tons in June was the lowest for any month since 1900. This is obviously so far below normal replacement needs of the country that some improvement is shortly inevitable although it will doubtless be some time before operations approach a profitable level for most companies.

Metals—Copper prices in the United States are fairly steady, though disorganized in Europe by our new five-cent tariff. Stocks above ground still accumulate slowly, and producers must continue to lose money until the world's output is curtailed further. A similar situation exists in tin, lead, and zinc, for which prices sag lower each month. United States zinc production in June was only 16,410 tons, the lowest since 1904; but consumption was even less.

Petroleum—New oil wells brought in East of the Rockies in June showed a daily average initial production of only 143,000 bbls. compared with 187,000 bbls., from wells brought in the month before. Stocks of gasoline rose by 168,000 bbls. during the week ended July 2, and prices were shaded in many districts. Barring some slight tendencies toward lessened consumption, however, the oil industry as a whole continues to maintain its improved position.

Merchandising—Chain store sales in June fell to a new low for the current depression. The Federal Reserve Board's seasonally adjusted index of department store sales for June dropped to 70, compared with an average of 75 for the first half of the present year. The index reached an all-time high of 114 in September of 1929. *Dun's Review,* however, reports some improvement in both retail and wholesale buying since the holidays.

Furniture—Longer term outlook somewhat improved by recent formation of the Furniture Reconstruction Council by leading manufacturers and retailers to curtail and diversify production, and to encourage a more orderly liquidation of excessive inventories.

Automobiles—Holiday shutdowns were more extensive this year than usual; but early reports on registrations of new passenger cars in June show a 6% increase over May compared with a normal seasonal decline of 17% in other years. The longer range outlook in the tire industry has been somewhat improved by the recent formation of a strong committee to promote long-needed co-operation among manufacturers.

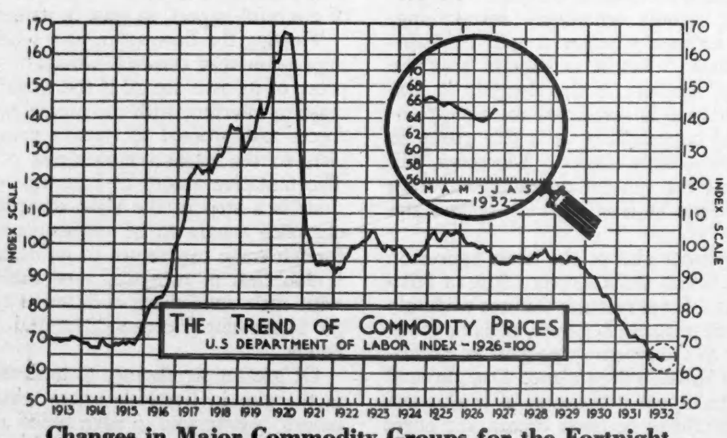
Banking—Earnings of New York banks and trust companies for the first half of the current year compare quite favorably with the like period in 1931 despite lower deposits and interest rates. The average price of New York trust company stocks is down only 25% in six months compared with a 40% decline in the Combined Average of all listed common stocks.

Coal—Production of bituminous in June was 40% below a year ago compared with an average decline of only 24% for the half year. Prices at the mines, however, are only 4% below last year. Anthracite shows a slightly greater shrinkage in production and whole prices. The output of both types of coal has been held close to demand, so that stocks on hand are of healthy proportions.

Agriculture—The first news of Lausanne created a sharp rally in such world commodities as coffee, cotton, rubber, sugar and wheat. This movement was given force in wheat and cotton by the announcement that the end of wheat stabilizations operations may be expected within a few months and that the weight of Farm Board holdings are gradually being lifted from the market. The Government's last bale of cotton will probably be sold before the end of the present fiscal year. It was also reassuring to learn that domestic consumption of wheat as measured by the sale of flour is only 10% below last year. These favorable developments were subsequently upset in some degree by the Government's July crop report, which forecasted larger Spring wheat yield than had been anticipated. Low grain prices ensued but the long range outlook for grains is still encouraging. Corn prices particularly should be sustained by the strong new level in hog prices and the outlook for improved farm income is a favorable business omen.

Railroads—Carloadings in recent weeks are about 35% below 1931. Most roads are not earning fixed charges.

Shipping—July 1 only 190,000 tons of large ocean-going vessels were under construction in U. S. yards, compared with 240,000 tons three months ago.

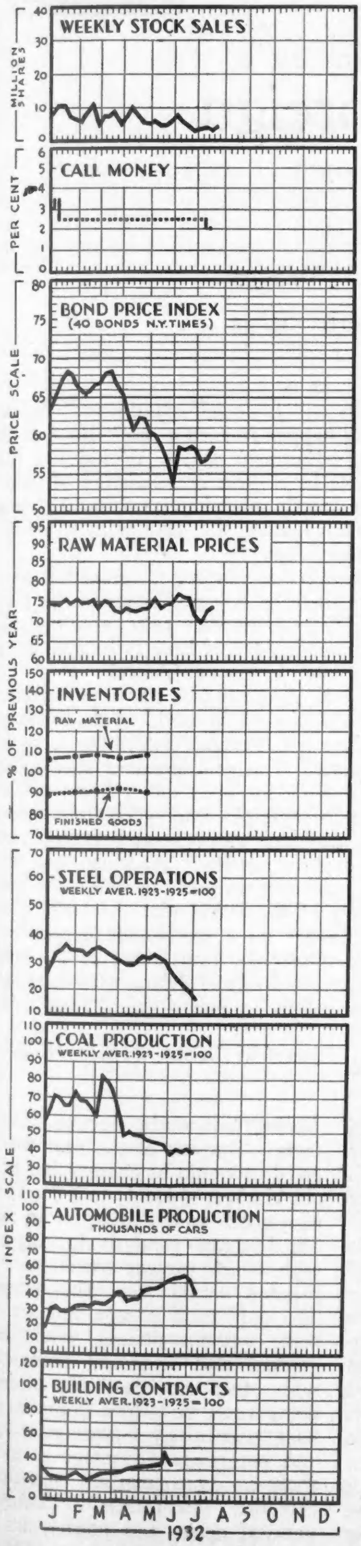


Changes in Major Commodity Groups for the Fortnight Ended July 9, 1932

Farm products	up 0.8	Metals	up 0.3
Foods	up 1.7	Building materials	no change
Hides and leather	up 1.2	Chemicals	up 0.1
Textiles	down 0.6	House furnishings	down 0.1
Fuel and lighting	up 1.5	Miscellaneous	no change

The Magazine of Wall Street's Indicators

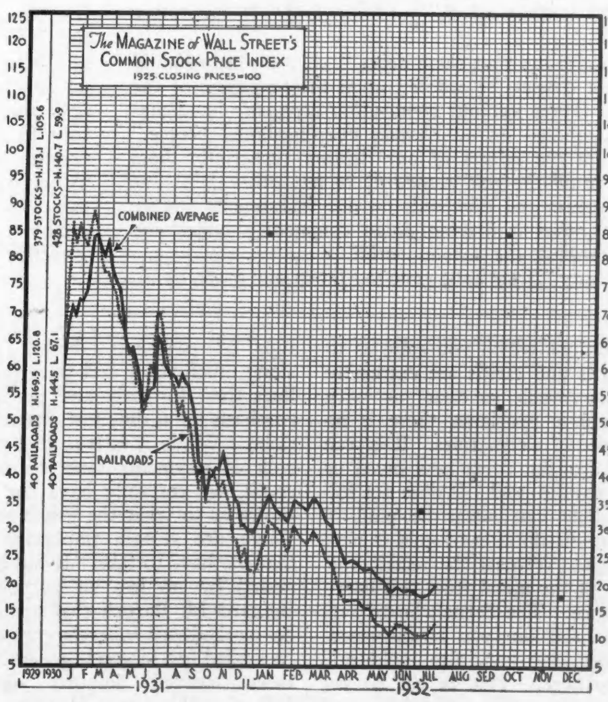
Business Indexes



Common Stock Price Index

1931 Indexes High	Low	Close	No. of Issues		1932 Indexes High	Low	July 2	July 9	July 16
84.4	29.2	30.0	345	COMBINED AVERAGE	36.4	18.0	17.5*	18.2	19.8
142.4	33.0	34.8	4	Agricultural Implements	48.3	17.9	19.8	17.9*	22.9
121.2	19.7	21.2	7	Amusements	43.0	11.4	11.4*	14.8	16.2
76.9	23.9	23.9	21	Automobile Accessories	27.8	10.7	10.8*	10.7*	11.2
37.0	12.1	13.1	16	Automobiles	14.4	5.8	5.9	5.8*	6.4
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)....	34.6	16.2	18.1	17.2	19.8
38.4	8.3	9.7	3	Baking (1926 Cl.—100)	12.0	4.8	4.9	5.3	5.6
212.8	112.5	112.5	2	Biscuit	129.9	60.1	60.1*	62.4	70.9
162.2	48.1	49.5	5	Business Machines	65.0	29.6	32.8	29.6*	35.9
188.5	96.5	99.3	2	Cans	119.0	51.0	57.2	55.2	58.9
157.8	76.2	81.6	7	Chemicals & Dyes	98.3	53.6	55.4	55.6	60.8
71.8	20.8	21.4	3	Coal	26.7	13.1	13.1*	13.4	14.2
73.7	18.9	19.5	19	Construction & Bldg. Mat...	24.6	9.9	9.9*	9.9	11.4
92.4	30.1	30.2	11	Copper	36.7	14.9	15.0	17.6	18.3
98.0	45.8	47.2	2	Dairy Products	57.8	28.3	28.9	28.3*	31.5
30.2	9.6	10.1	9	Department Stores	14.8	4.5	5.0	4.5*	5.2
120.4	52.0	53.1	8	Drug & Toilet Articles	65.4	35.1	35.1*	35.5	39.6
149.3	44.7	46.9	5	Electric Apparatus	55.1	28.7	28.7*	28.7	30.9
21.5	4.3	4.6	3	Fertilizers	5.5	2.2	2.7	2.9	3.0
91.3	40.8	41.7	2	Finance Companies	58.7	23.7	24.6	23.7*	26.3
80.1	43.7	45.3	7	Food Brands	50.4	28.3	28.3*	28.6	30.1
83.0	44.4	45.0	3	Food Stores	56.4	33.9	36.8	33.9*	38.6
51.7	21.7	21.8	3	Furniture & Floor Covering.	38.2	11.7	12.4	12.5	13.3
45.5	16.6	17.0	5	Household Equipment	21.1	9.6	10.0	9.8	9.6*
89.5	17.1	19.1	10	Investment Trusts	26.4	9.5	9.9	10.3	11.3
96.3	26.1	26.1	3	Mail Orders	27.4	7.7	7.7	8.0	9.4
69.2	22.3	23.4	31	Petroleum & Natural Gas...	29.2	21.6	23.2	24.2	26.3
68.8	12.7	13.0	4	Phonos. & Radio (1927-100)..	17.5	6.2	6.3	7.1	7.7
196.8	77.0	78.1	20	Public Utilities	87.6	37.1	39.1	37.1*	41.9
73.1	20.6	21.2	10	Railroad Equipment	26.9	12.0	12.0*	12.2	13.7
88.4	22.5	22.5	30	Railroads	31.3	10.4	10.4*	10.7	12.5
100.7	41.8	41.8	3	Restaurants	42.3	14.9	18.1	14.9*	18.7
38.0	8.8	8.8	3	Shipping	14.3	4.1	4.1*	4.8	5.9
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100)..	89.2	59.0	64.1	60.3	61.3
92.3	25.3	25.8	9	Steel & Iron	30.7	11.7	12.0	11.7*	12.7
18.9	7.3	7.3	5	Sugar	9.4	3.8	5.4	5.7	6.9
218.0	84.2	89.5	2	Sulphur	101.7	53.9	55.2	56.4	65.1
132.4	44.5	44.5	3	Telephone & Telegraph......	54.4	21.0	21.5	21.8	25.0
46.1	16.1	18.2	5	Textiles	24.6	16.3	17.1	18.5	18.7
15.8	4.4	4.9	5	Tires & Rubber	6.0	2.5	2.5*	2.7	3.3
78.6	47.0	48.3	5	Tobacco	68.6	40.8	43.1	43.6	47.9
86.1	26.1	26.1	4	Traction	57.0	17.9	19.5	24.3	24.8
82.0	44.5	44.9	2	Variety Stores	50.9	23.3	23.4	23.3*	26.4

* New low record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

Our Part in the Foreign Debt Tangle

Do We Dare Abolish Tariff Walls? — Wages and Depression — Doing Away with War

EDITOR, READERS' FORUM:

Please clarify your views on so-called war debts, the depression, and the tariff. In the June 25 issue of your magazine you say ". . . . the recent progress at Lausanne . . . ., is nevertheless clearly heading toward dumping the debt question into the lap of Uncle Sam." Is that not just where it belongs? I do not mean to say that Uncle Sam should pay these debts, but if he wants the money, why should he not make it possible for them to be paid by adjusting his tariff so that the debts can be paid in goods? Both of your associates, T. M. Knappen and A. T. Miller, have said that in the long run international payments must be made in goods. How can we expect these debts to be paid in gold when there is not gold enough in the world to pay them? Was it not our tariff policy that drove more than 20 nations off the gold standard? If not, what did it?

You also say that these debts ". . . . not only should not, but cannot, be saddled upon the taxpayers of the United States without tremendous economic handicaps being imposed on an already over-burdened people." Is it not the efforts of our debtors (especially those who are off the gold standard) to pay other debts due us (interest and dividends on our investments for instance), that is driving down commodity prices and handicapping the whole world?

You say "If we have gone too far in our protectionist theories the results will force self-adjustment." What do you expect will happen in such a case? How much time will the self-adjustment take? Would not the first sign of trouble be a great accumulation of gold? And was not that exactly what happened in 1929 and 1930? Is not our tariff acting the same as an economic boycott at the present time?

You ask why bankers do not act to reestablish confidence. How can there be any confidence in the face of the continued fall in commodity prices now prevailing? Will not commodity prices have to become more stabilized before we can expect confidence?

You say "For if the gold standard can be maintained . . . . only . . . . with the whole world on the self-containment quest there is but a slim chance for the gold standard to function." The gold standard always did function previous to 1929. Why did it begin to fail then? Was it not because the leading creditor nation of the world did not know that a protective tariff was no benefit to a creditor nation? And was not this ignorance due to habit and the fact that this is the first time in the history of the world that the tariff of a creditor nation brought on a world-wide depression? What is there to hinder the functioning of the gold standard in spite of the tariffs of debtor nations, if the creditor nations adopt a policy of "Tariff for Revenue"?

JOHN M. WOOD, Buffalo, N. Y.

The questions which you raise as to foreign debts and tariffs are extremely complex—so much so that, as with many economic problems, there is no simple choice of alternatives. It is true that the European debts now owed us cannot be paid in gold. It does not follow that they can never be paid in gold. A re-distribution of gold is now taking place. Witness the recent outward flow of the metal from this country to France. The French hoard will certainly in the long run be dispersed. And in the long run, also, gold will again flow here. This is not to say that we will ever accumulate and permanently keep the bulk of the world's supply. We may ultimately begin again to invest our surplus balance of payments abroad, although along much wiser and more productive lines than formerly and perhaps with emphasis upon different quarters of the globe. While it is true that the great bulk of payments must be settled in goods, we certainly have the right of choice as to what the goods should be. There are certain important imports that we have to take. It has been suggested by no less an authority than Bernard M. Baruch that arrangements be worked out whereby present debts be settled not in goods generally, but in these needed imports specifically. Whether this can be done or not, it is plain that as a practical solution we could not, even if we desired it, lower our tariff walls at one stroke. We are dealing not with theories but with facts. The loss of the payments now owed us would be onerous, but to open our markets suddenly to a flood of foreign goods would bring on an American business paralysis in comparison with which present conditions of depression would seem like prosperity. The only tariff change that we could make without disaster would be by gradual and reciprocal arrangements with other countries. To cancel the debts would be to give European countries, particularly Germany, a decided and permanent advantage as to fixed charges. In comparison with this, an extended moratorium, certainly on political debts, and possibly on some

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BEECH-NUT PACKING CO.

What do you see ahead for Beech-Nut Packing? I am not much troubled about the dividend, as I suppose this is reasonably secure for the immediate future, at any rate. But I am wondering whether a switch to some other issue—either in or out of the food industry—might not be best in the long run.—R. S. A., Raleigh, N. C.

Income account of Beech-Nut Packing Co. for the initial quarter of 1932 revealed profits of $538,824, equal, after allowing for dividends on the class A preferred stock and estimated Federal taxes, to $1.05 a share on 446,250 shares of $20 par common stock outstanding. This compared with net of $608,817, or per share returns of $1.20 after preferred dividends and Federal taxes for the first three months of 1930. Although a forecast of full 1932 earnings, on the basis of first quarter reports would be somewhat conjectural, we feel confident that the current annual dividend requirements of $3 a share will be covered by a comfortable margin, although full year results undoubtedly will be below that of $4.75 a share reported for the calendar year of 1931. Certainly, the exceptionally strong financial condition of the company in evidence at the close of last year is reassuring, when considering the safety of current dividend distributions. As of March 31, 1932, cash and U. S. Government bonds amounted to $4,877,319 while other marketable securities were carried at a value of $1,122,279. Total current assets amounted to $14,392,260 against total current liabilities of only $631,058 leaving net working capital of $13,761,202, compared with $12,570,752 at the close of last year. In the light of the foregoing, little concern should be felt as to the ability of the enterprise to cope with current adversities successfully. Beech-Nut Packing has constantly added to its line of products, and at the current writing, ranks as one of the leading enterprises in the package food industry. The company distributes through a well rounded sales organization, meat sold in bulk and in packages, preserves, jellies, coffee, biscuits and a number of candy and chocolate products. About one-half of the company's business consists of the sale of products which have a more or less stabilized demand, a factor that tends to neutralize the declines in sales of items in the high priced range. Thus, the almost impregnable position of the company warrants confidence in its future prospects. Beech-Nut Packing common merits favorable consideration for inclusion in the average business man's portfolio, and we counsel maintenance of your present position.

TEXAS GULF SULPHUR CO.

What is your opinion of the outlook for Texas Gulf Sulphur Co.? I have 125 shares and in view of the continued decline of business in general I am wondering if it might not be wise to sell my stock even at considerable loss. What factors would make for an increase in their business? Is there any likelihood of further dividend adjustment?—A. J. G., Yonkers, N. Y.

Since approximately 75% of the world's sulphur supply is controlled by Texas Gulf Sulphur, Co. and its nearest competitor, Freeport Texas Co., these companies have been able to maintain the domestic price of sulphur at $18 per ton during the last three years. The difficulty currently being experienced by Texas Gulf Sulphur is the sharply curtailed consumption of sulphur due to the lower general rate of business activity and particularly to the further sharp drop in fertilizer production, which industry takes about ⅓ of the total sulphuric acid consumed in this country. However, assuming that current sales volume of the company is close to the minimum, and represents necessitous buying on the part of the consumer, current annual rate of dividend distributions on the common stock of $2 a share is believed to be reasonably secure. In order to avoid the tremendous expense of reheating a sulphur mound after a shut-down, Texas Gulf Sulphur Co. has maintained pumping operations, with the result that inventories above ground have acted as a drain upon the company's cash position. At the close of last year, unsold sulphur, carried below market value, stood at $14,192,158 against inventories of $11,928,750 at the close of the preceding year. Cash declined from $5,488,050 at the close of 1930 to $3,477,002 on December 31, 1931.

(Please turn to next page)

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However, recent reports indicate that a reversal of this trend is now in process, since the management has stated its intention of selling from its supply above ground, in order to bolster the cash position of the company. For the initial quarter of 1932, net income amounted to $1,722,535, equal to 68 cents a share on the common stock, as compared with net of 96 cents a share for the corresponding interval of 1931. Recent reports emanating from well-informed circles, indicate that results in the second quarter covered dividend requirements by a comfortable margin. The common stock of Texas Gulf Sulphur Co. must be regarded in a speculative light, but inasmuch as current prices have gone far to discount existing conditions, retention of present holdings, with a view toward further developments, is advisable.

CONSOLIDATED OIL CORP.

I had something over 100 shares of Sinclair Oil which was exchanged for the new Consolidated Oil. I had expected that with the merger and the better outlook for the oil industry that this company would do much better. What is the reason for its present disappointing action, marketwise? Do you advise me to take my loss now and switch to some other company with greater prospects?—R. D. I., Boston, Mass.

Competent observers are of the opinion that much of the evil existing in the oil industry, can be overcome through the consolidation of the smaller independents with the more strongly situated major units. With this end in view, the Consolidated Oil Corp. was organized in the early part of this year, as the result of the merger of Sinclair Consolidated Oil Corp., Prairie Pipe Line Co. and Prairie Oil & Gas Co. Through the consolidation of these units, we find the new enterprise one of the largest of the modern, thoroughly integrated giants of the petroleum industry. Unlike a consolidation of the boom era of 1928 and 1929, the Consolidated Oil merger is a creation of hard times, with the longer term prospects incidental to the stern realities of the present. Independently, the three constituent enterprises were not in a favorable competitive position which injected considerable uncertainty into their ability to cope with current adversities in a satisfactory manner. At present, the new enterprise is in a strategic position to meet future competition, and with assets written down to a level much lower than the aggregate shown on the three balance sheets of the constituent companies before the consolidation was effected, Consolidated Oil Corp. is in a favorable position to reflect general improvement in the statistical position of the oil industry. Stockholders of the company who anticipated a major rise in quotations for the new shares solely on the basis of the consolidation, no doubt have been disappointed. Naturally enough, the full co-ordination of operations of the several companies, and the achievement of maximum economies from the consolidation will require some time. Nevertheless, an analysis of its set-up indicates that it is strong enough to withstand any probable period of bad conditions in the petroleum industry, and that it should share proportionately with other leaders of the industry in ultimate improvement. In the light of the foregoing, we regard Consolidated Oil Corp. common stock as an interesting speculative medium for representation in the future potentialities of the oil industry, and accordingly, counsel the exercising of patience on the part of present shareholders.

Market's Resistance Increases

(*Continued from page* 395)

The expected second-half-year recession is under way in the automobile industry. Construction remains stagnant. The indexes of railway car loadings and of electric power consumption remain disappointing.

While marginal liquidation is virtually complete after a deflation of more than 8 billions of dollars in brokers' loans since 1929, the end of banking liquidation is not yet in sight. Each recent week has seen a further heavy decline in loans and investments of member banks of the Reserve System in leading cities. The collateral loan account of these institutions still stands at 4,600 millions and the total of all bank collateral loans is somewhat higher. It is not to be expected that this account can or will ever be liquidated as completely as have brokers' loans but what the limit is no one can now say. Certainly, there is little reason to expect significant market appreciation as long as banks, in a more or less forced search for liquidity, continue dumping from 40 to 100 millions of collateral into the markets weekly.

The continued decline in loans and investments is proof positive that the remedial expedients of the Federal Government and of the Federal Reserve System have failed thus far in their primary purpose of halting deflation. We cannot much longer ignore the basic questions of economic principle which these expedients involve. It becomes more probable that they have merely delayed natural adjustments and that any substantial extension of them may seriously threaten the public credit.

Despite the many difficulties hanging over us, the early prospect is not entirely black. The outstanding ray of hope, and this but a tentative one, is not rally in stocks and bonds, but rally in commodity prices. Although accounted for in the main by a limited number of agricultural commodities, it has nevertheless given the commodity price average the sharpest lift in many months. If improvement is continued over a period of weeks, it may well constitute genuine cause for a much more hopeful attitude.

Crown Cork & Seal Co., Inc.

(*Continued from page* 415)

division, a small loss was shown for the first quarter of the present year, contrasted with a profit equivalent to 3 cents a common share in the corresponding previous period. For last year, Crown Cork & Seal reported earnings, including those of the Detroit Gasket & Manufacturing Co. for seven months only and those of the Western Stopper Co. for six months only, equivalent to 80 cents a share on the common stock outstanding at the end of the year. For 1930, $2.48 a share was shown.

In view of the latest showing. Crown Cork's dividend of $1.20 annually must be considered far from assured. The possible reduction of the dividend, however, is offset at least in part by the possibility of repealing the prohibition statutes, in which case it is thought that the company would benefit materially. While the assumption of phenomenal prosperity for Crown Cork & Seal from prohibition repeal is somewhat far-fetched, the company has fair prospects of substantial recovery.

Western Union Telegraph Co.

(*Continued from page* 411)

to other telegraph companies, the very industry is subject to competitive pressure from the telephone the radio and airmail. This competition is growing more and more intense and it is a not unreasonable assumption that the telegraph has reached economic maturity. Naturally, any general business improvement throughout the country will be reflected in Western Union's business, but the improvement in the latter might well fall short of many other lines and might even be somewhat under the average.

Nevertheless, if Western Union cannot look forward to the virility of a youthful industry, there is no reason

to predict a rapid demise. It is still very decidedly of an essential character. But whether the reasonably extensive volume of business which Western Union can anticipate for the future will be sufficient to support the company's present capitalization is a question depending entirely upon the country's business activity. The present rate of business activity is just about the critical point so far as Western Union is concerned. Fixed charges are barely being covered and the company has commenced to borrow money. A further decline from here, extended over any length of time, will probably mean some kind of capital reorganization.

On the other hand, should business be at the low, long drawn-out level which inevitably precedes the climb from the depths, Western Union in its present form will probably be with us when we emerge.

Such a situation is extremely interesting from a stock market viewpoint. With Western Union's stock and bonds obviously discounting some kind of reorganization which may never take place it is worthwhile remembering that actual developments will be heralded by the action of the index of general business activity—further and prolonged decline would suggest the worst for the company, whereas stability, at even these low levels, or improvement would denote ultimate recovery of Western Union to its old position in investment esteem.

New York Stock Exchange

RAILS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 7/13/32	Div'd $ Per Share
A								
Atchison	242½	168	202⅞	79¼	94	17⅞	22½	..
Do Pfd.	106¾	100	106¼	75	86	35	37	5
Atlantic Coast Line	175½	95¼	120	25	31½	9¾	11½	..
B								
Baltimore & Ohio	122⅜	55⅜	87⅞	14	21⅜	3¾	6	..
Bangor & Aroostook	84½	50⅛	66¾	18	24½	9½	16½	2
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅜	31⅛	50¼	11⅛	20⅛	..
Do Pfd.	98¾	83	94¼	63	78⅜	21⅛	48¾	6
C								
Canadian Pacific	52¼	35¼	45⅜	10¾	20⅝	7¼	10⅛	1¼
Chesapeake & Ohio	51⅜	32⅜	46½	23⅜	31½	9¾	11	2½
C. M. St. Paul & Pacific	26⅜	4¼	8⅞	1½	3¼	¾	1	..
Do Pfd.	46¼	7¾	15⅜	2½	5¼	1⅛	1½	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	2	3½	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	1⅛	2½	..
D								
Delaware & Hudson	181	130½	157¼	64	89½	32	†35	9
Delaware, Lack. & Western	153	69½	103	17¾	28¾	8½	10½	..
E								
Erie R. R.	63¾	22½	39¾	5	10	2	2⅞	..
Do 2nd Pfd.	62½	26	40½	5	9½	2	†1¼	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	5½	8⅞	..
H								
Hudson & Manhattan	53⅜	34⅞	44⅛	26¼	30¾	8	13½	3½
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	4¾	7	..
Interborough Rapid Transit	39½	20⅜	34	4⅝	14⅝	2¼	5⅛	..
K								
Kansas City Southern	85⅜	34	45	6⅞	13¼	2¼	†8	..
Do Pfd.	70	53	64	15	23¾	5	†5	2
L								
Lehigh Valley	84⅞	40	61	8	18	5	5⅜	..
Louisville & Nashville	138½	84	111	20¼	32⅜	7½	11½	..
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	1¼	2¾	..
Do Pfd.	108⅜	60	85	10½	21⅞	3¼	5½	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	1⅛	†1⅝	..
Do Pfd.	145½	79	107	12	26	2½	3½	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	8¾	12½	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	1⅛	1⅞	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	6	7⅞	..
Norfolk & Western	265	181½	217	105⅝	135	57	62	8
Northern Pacific	97	42⅜	60⅞	14½	23¼	5½	9⅜	..
P								
Pennsylvania	86⅝	53	64	16⅛	23⅜	6⅛	7⅞	..
R								
Reading	141½	73	97½	30	42	9½	†13	1
Do 1st Pfd.	50⅛	44⅛	46	28	33	15	16	2
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	⅝	1	..
Southern Pacific	127	88	109½	26½	37⅝	6½	8½	..
Southern Railway	136¾	46½	65⅞	6⅜	13	2½	3¼	..
Do Pfd.	101	76	83	10	20½	3	3¼	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	27⅝	31⅜	6
Do Pfd.	88⅜	82¼	87	51	68	40	†41½	4
W								
Western Maryland	36	10	19⅝	5	7¾	1½	†2⅛	..
Western Pacific Pfd.	53½	23	31⅛	3	6⅝	¾	2⅛	..

INDUSTRIALS and MISCELLANEOUS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 7/13/32	Div'd $ Per Share
A								
Adams Express	37⅞	14¼	23½	3⅛	5¾	1⅝	2¼	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	62½	30⅞	35⅝	*4½
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅛	⅜	⅝	..
Allied Chemical & Dye	343	170¼	182¾	64	87½	42½	47⅞	6
Allis Chalmers Mfg.	68	31¼	42¾	10½	13⅝	4	5½	..
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	15½	6⅛	7⅝	.60
American Can	156½	104⅝	129¾	58⅛	73⅞	29⅝	35⅛	*5
Amer. Car & Fdy	82½	24⅛	38¾	4⅛	8⅜	3⅛	4½	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	9¼	2	3¼	..
American Ice	41⅞	24½	31⅝	10½	21⅝	9	10¼	2
Amer. International Corp	55⅜	16	26	5	8½	2½	3¾	..
Amer. Mchy. & Fdry	45	29¾	43¾	16	22¼	7⅛	8¾	.80
Amer. Power & Light	119⅝	30⅛	64⅞	11⅝	16⅞	3	5	1
Amer. Radiator & S. S.	39¾	15	21½	5	8½	3⅛	4	..
Amer. Rolling Mill	100⅞	28	37⅝	7⅜	13	3	4¾	..
Amer. Smelting & Refining	79½	37½	58½	7½	18⅝	5⅛	8	..
Amer. Steel Foundries	52¼	23½	31¼	5	8⅜	3	†3¼	..
American Stores	55½	36½	48¼	33	36¾	20	†24	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	13	20½	2
Amer. Tel. & Tel.	274¼	170⅜	201¾	112⅛	137⅞	70¼	72⅝	9
Amer. Tobacco Com.	127	98½	128¾	60½	86¾	40⅛	51⅝	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	34½	11	12⅞	2
Anaconda Copper Mining	81½	25	43¼	9¼	12⅜	3	4	..
Assoc. Dry Goods	50½	19	29⅝	5¾	8¼	3	†3	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	12⅞	8⅝	11½	1
Auburn Auto	263¾	60⅝	295½	84½	151¾	28¾	52½	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 7/13/32	Div'd $ Per Share
B								
Baldwin Loco. Works	38	19⅝	27⅞	4⅝	8½	2	3⅛	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	5⅞	3⅜	4⅜	..
Beech-Nut Packing	70⅛	46¾	62	37½	44¾	29¼	31	3
Bendix Aviation	57⅝	14¼	25⅛	12⅝	18¾	4½	5⅜	..
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	5¾	7⅛	..
Bethlehem Steel Corp.	110¼	47⅜	70⅜	17¼	24⅜	7¼	9¼	..
Bohn Aluminum	69	15¾	43	15½	22¼	4⅞	†5⅞	..
Borden Company	90⅜	60⅛	76½	35⅞	43⅛	20	22⅝	2
Borg Warner	50½	15	30¾	9	12⅝	3⅜	4¼	..
Briggs Mfg.	25¾	12⅛	22¾	7⅛	11¾	2⅞	3⅜	..
Burroughs Adding Mach.	51⅞	18⅜	32¼	10	13	6¼	7¼	.60
Byers & Co. (A. M.)	112⅝	33⅛	69¾	10⅞	19	7	10	..
C								
California Packing	77½	41¼	53	8	11⅞	4¼	†5⅛	..
Calumet & Hecla	33⅜	7¾	11⅜	3	4	1½	†1⅞	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅝	13⅛	6	9⅜	1.20
Case, J. I.	362¾	83½	131⅛	33¼	43⅜	16¾	26⅜	..
Caterpillar Tractor	79¾	22	52½	10¼	15	4⅜	5	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	3½	4¾	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20⅝	4⅞	5⅝	2
Childs Co.	67⅝	22⅞	33¾	5⅛	7½	1½	†1½	..
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	5	6½	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	74⅛	78¾	*8
Colgate-Palmolive-Peet	64⅞	44	50⅛	24	31½	11	12⅛	1
Columbian Carbon	199	65⅛	111⅝	32	41⅞	13½	17¾	2
Colum. Gas & Elec.	87	30⅝	45⅝	11⅝	16⅛	4¼	6⅜	1
Commercial Credit	40¾	15½	23¼	8	11	3⅞	4⅛	.50
Commercial Solvents	38	14	21½	6⅝	10¼	3½	5½	.60
Commonwealth & Southern	20½	7½	13	3	4⅞	1⅝	2⅛	.30
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	31½	37	4
Continental Baking Cl. A	52½	16¾	30	4½	7	2⅞	†3⅜	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	41	17⅝	21½	2
Continental Oil	30½	7¾	12	5	7	3⅝	5	..
Corn Products Refining	111⅜	65	86⅝	36¼	47⅜	24¾	30¼	3
Crucible Steel of Amer.	93⅝	50½	63	20	23¼	6	†7	..
Cudahy Packing	48	38⅛	48⅞	29	35½	20	26	2½
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	⅞	⅞	..
D								
Davison Chemical	43⅝	10	23	3½	5¼	1	1⅞	..
Diamond Match	24⅞	10	23	10⅝	15⅞	12	14¾	1
Dominion Stores	30⅝	12	24	11	18	11¼	13½	*1½
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	23	28⅜	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	22⅛	25⅜	3
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	35¼	38⅜	5
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	8	3	3	..
Electric Auto Lite	114⅞	33	74⅜	20	32¾	8½	10⅛	1.20
Elec. Power & Light	108½	34⅜	60¾	9	15⅜	2¾	3⅜	..
Elect. Storage Battery	79¼	47½	66	23	33¼	12⅝	†17¾	3
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	36⅛	16	†20	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	15⅜	10½	10½	1
First National Stores	61⅜	33⅝	63	41	53	35	40½	2½
Foster Wheeler	104½	37½	64½	8	12	3	5¾	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅜	1	†1	..
Freeport Texas Co.	55½	24½	43¼	13¼	19½	10	12½	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	9½	11⅜	1
General Asphalt	71⅛	22⅜	47	9⅝	15½	4¾	7	1
General Electric	95⅜	41½	54¾	22⅞	26⅛	8½	10	.40
General Foods	61¼	44⅜	56	28¼	40⅛	19⅝	22¼	2
General Mills	59⅛	40⅛	50	29⅛	37	28	30⅞	3
General Motors Corp.	54¼	31½	48	21⅜	24⅝	7⅝	8⅜	1
General Railway Signal	106⅞	56	84⅛	21	28⅝	6⅛	8	1
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	15¾	1
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅝	8¼	11⅜	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	2¼	2½	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	18¾	5½	7⅛	..
Grand Union	20⅝	10	18⅞	7	9¾	3½	†3⅞	..
Great Western Sugar	34½	7	11⅞	5¾	6½	3¼	6⅛	..
Gulf States Steel	80	15	37½	4	8	2½	†3	..
H								
Hershey Chocolate	109	70	103¾	68	83	43½	44⅛	6
Houston Oil of Texas (New)	‡116⅞	‡29¼	14	3	5⅛	1⅝	2¼	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	2⅞	5⅜	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	1½	1⅝	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	52½	60⅞	6
Inter. Cement	75⅜	49½	62½	16	18¾	3⅝	†5⅝	..
Inter. Harvester	115¾	45¼	60½	22⅜	29¾	10⅜	13	1.80
Inter. Nickel	44⅜	12¾	20⅛	7	9¼	3½	5	..
Inter. Tel. & Tel.	77⅜	17½	38¾	7⅛	12¼	2⅝	5¼	..
J								
Jewel Tea	66½	37	57½	24	35	15⅛	†18	*4½
Johns-Manville	148⅜	48¾	80¾	15⅝	25½	10	12¾	..
K								
Kelvinator	26⅝	7⅜	15⅛	6	10⅜	2¾	3¼	..
Kennecott Copper	62¾	20⅛	31⅛	9⅝	13	4⅞	6⅜	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	6⅝	7⅜	1
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	1/16	1/16	..
Kroger Grocery & Baking	48⅛	17⅛	35⅛	12½	18⅞	10	12½	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	25	29	*5
Lehn & Fink	36	21	34¾	18½	24¼	6	8¾	2
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	61¾	34⅛	43	*5
Liquid Carbonic	81⅞	39	55⅛	13½	22	9	11½	2
Loew's Inc.	95¾	41¾	63½	23⅞	34	13¼	16	*4
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	16⅛	19	2
Lorillard	28⅛	8¾	21⅞	10	16⅞	9	12⅜	1.20

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale 7/13/32	Div'd $ Per Share
	High	Low	High	Low	High	Low		
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	18⅛	10	13⅛	1
Macy (R. H.)	159¼	81⅝	108¼	50	60½	17	22⅝	2
Magma Copper	52½	19¼	27⅞	7¼	8⅞	4½	†4⅞	.50
Marine Midland	32½	17⅞	24¼	9¼	12¼	6½	7	.80
Mathieson Alkali	51⅞	30¼	31½	12	20⅞	9	†10½	1½
May Dept. Stores	61⅝	27⅞	39	15⅝	20	9⅛	10	1.80
McKeesport Tin Plate	89½	61	103½	38½	62¼	28	34½	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	11¼	3½	5¼	..
N								
Nash Motor Co.	58⅛	21¼	40⅞	15	19⅛	8	10	1
National Biscuit	93	68⅝	83⅜	36⅜	46⅞	20¼	26	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	14⅜	6½	7½	..
National Dairy Prod.	62	35	50¾	20	31⅜	14⅜	16¼	2.60
National Power & Light	58¾	30	44¼	10¼	16⅜	6⅝	8½	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	2½	3½	..
North Amer. Aviation	15⅝	4¼	11	2⅝	4¼	1¼	2	..
North American Co.	132⅞	57¼	90¼	26	40	13⅜	16⅞	§10%
O								
Ohio Oil	62½	16	19⅛	5⅛	8½	5	7½	.20
Otis Elevator	80⅜	46¼	58½	16⅛	22½	9	11⅜	1½
Otis Steel	38⅞	9½	16⅝	3½	4⅜	1¼	†1¼	..
P								
Pacific Gas & Electric	74⅞	40¼	54⅞	29⅝	37	16⅞	20	2
Packard Motor Car	23⅜	7⅛	11⅞	3⅞	5¼	1⅛	1⅜	..
Paramount Publix	77¼	34⅜	50¼	5⅛	11⅛	1⅛	1⅞	..
Penney (J. C.)	60	27⅝	44⅜	26¼	34½	13	16½	2.40
Phelps Dodge Corp.	44⅜	19⅜	25⅝	5⅞	8½	3⅞	†4¼	..
Phillips Petroleum	44¾	11½	16⅝	4	6½	2	4	..
Prairie Pipe Line	60	16⅝	26½	6⅞	9¾	5⅛	†7⅛	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	19⅞	23½	2
Public Service of N. J.	123¾	65	96½	49½	60	28	32¼	3.20
Pullman, Inc.	89⅝	47	58½	15¼	25	10½	14½	3
Pure Oil	27¼	7⅝	11⅞	3¼	5⅛	2⅞	3⅝	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	4⅜	6⅜	1
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	10⅝	2½	4	..
Radio-Keith-Orpheum	50	14⅜	4	2⅜	7	1⅛	2⅛	..
Remington-Rand	46½	14⅛	19¾	1⅞	3⅝	1	1⅝	..
Republic Steel	79½	10¼	25¾	4½	6½	1⅞	2⅛	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	26½	27¾	3
Royal Dutch	56½	36⅞	42⅝	13	23	12⅛	17¾	.80½
S								
Safeway Stores	122⅞	38¾	69½	38⅝	59¼	30¼	34¾	5
Sears, Roebuck & Co.	100⅝	43½	63¼	30¼	37⅞	9⅞	12⅛	..
Servel, Inc.	18½	3⅛	11¾	3½	5⅝	1⅛	1¾	..
Shell Union Oil	25½	5¼	10¼	2½	4½	2½	3⅝	..
Simmons Co.	94⅞	11	23¾	6⅞	10½	2⅜	3⅜	..
Skelly Oil Corp.	42	10⅛	12⅞	2	4½	2⅛	3⅛	..
Socony-Vacuum Corp.	..	..	21	3⅜	10⅜	5⅛	7⅜	.80
So. Cal. Edison	72	40⅛	54½	28⅜	32⅜	15⅜	19⅜	2
Standard Brands	29¼	14⅛	20½	10½	14	8⅜	10⅞	1.20
Standard Gas & Elec. Co.	129¼	53½	88⅜	25½	34¼	7⅝	11⅛	2
Standard Oil of Calif.	75	42¼	51¾	23½	27¼	15½	19⅞	2
Standard Oil of N. J.	84⅞	43½	52½	26	31½	19⅞	26½	2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	6⅝	1⅞	2⅛	..
Stone & Webster	113⅜	37½	54½	9⅞	15½	4⅝	5⅜	.50
Studebaker Corp.	47¼	18⅛	26	9	13¼	2½	3½	..
T								
Texas Corp.	60½	28¼	36¼	9⅞	13⅞	9¼	10⅜	1
Texas Gulf Sulphur	67⅝	40¼	55¾	19½	26⅜	12	14⅞	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	6½	2⅛	3⅝	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3½	2	2⅛	..
Timken Roller Bearing	89¼	40½	69	16½	23	7¾	9¼	1½
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	23½	7⅜	9¼	1
Union Carbide & Carbon	106⅜	52½	72	27⅛	36⅜	15½	17⅜	1.20
Union Oil of Cal.	50	20¼	26⅝	11	13⅞	8	9⅞	1
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	16⅞	6⅛	9½	..
United Carbon	84	14¾	28¾	6⅛	14	6⅝	8½	..
United Corp.	52	13⅞	31¼	7½	10½	3½	4¼	.40
United Fruit	105	46½	67¾	17½	30½	10¼	17⅞	2
United Gas Imp.	49⅜	24¼	37½	15⅝	21¾	9¼	13¼	1.20
U. S. Industrial Alcohol	139⅜	50½	77⅞	20⅜	31½	13¼	17⅜	..
U. S. Pipe & Fdy.	38¼	18½	37½	10	15½	7¼	8⅛	2
U. S. Realty	75½	25	36¾	5½	8½	2	2⅜	..
U. S. Rubber	35	11	20⅜	3½	5⅜	1¼	2½	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	13⅜	19⅞	10	10½	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	52⅝	21¼	23⅜	..
Util. Power & Lt. A	45⅜	19¼	31	7⅛	10⅜	1½	2⅛	..
V								
Vanadium Corp.	143¼	44⅜	76⅜	11	18⅞	5¼	8⅛	..
W								
Warren Bros.	65⅜	26⅜	46⅜	3⅜	7	1¼	1⅜	..
Warner Brothers Pictures	80¼	9⅜	20⅜	2½	4⅜	½	⅞	..
Western Union Tel.	210⅜	122¼	150⅜	38½	50	12⅜	15⅜	..
Westinghouse Air Brake	52	31¼	36½	11	17¼	9¼	9⅜	1
Westinghouse Elec. & Mfg.	201½	88½	107⅜	22½	35⅞	15⅜	18⅜	..
White Motor	43	21⅝	26¼	7⅜	12	6⅞	7¼	..
Woolworth Co. (F. W.)	70⅜	51½	72¾	35	45⅝	22	26½	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	23⅜	5	12½	..
Wrigley (W. Jr.)	81	65	80⅜	46	57	25¼	30	3

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Business Weighs Platforms and Candidates

(*Continued from page* 401)

The House is the logical forum for political gestures. Much that it proposes is brought forth with the full knowledge and expectation that a common sense check can be expected either in the Senate or the White House. That has been the result of the present session, the bulk of the legislation actually adopted having been conservative. Thus, it is to be doubted that, for example, the recent demagogy of Speaker Garner need be accepted as indicative of the point of view of the Democratic Party. It is much more likely that in the event of a Democratic victory far more weight in party councils and administration will attach to the views of such able and high-minded Democrats as Senator Hull, Senator Glass and Senator Barkley.

Indeed, the most significant clue that Roosevelt has yet given as to his beliefs lies in that portion of his acceptance speech in which he calls upon his party to follow the principles of Woodrow Wilson and reminds his followers that many of President Wilson's captains "are still with us, to give us wise counsel." It is Republican strategy in this campaign to liken the present Democratic Party to the party of Bryan. The evidence is that it would be, under Roosevelt, much more nearly the party of Wilson. Whether this is what the country needs or desires is solely a matter of opinion, but a political change of this kind would by no means represent a radical or untried experiment.

Franklin D. Roosevelt

To arrive at a fair and accurate appraisal of the character of Franklin D. Roosevelt is, perhaps, an impossible task. There can be no doubt that he possesses a high degree of personal courage. In his earlier career he showed no lack of political courage. In recent years the conviction has grown among many observers in his own state that he lacks political courage, that his god is political expediency, that he is a political weathervane, that he is a follower, rather than a leader, of public sentiment. He has been aptly described as "a gentleman of good, kindly and amiable intentions, but lacking in force."

Perhaps the irony of our present political situation is that if these words fit Mr. Roosevelt, they will be readily accepted by numerous voters as equally appropriate to Mr. Hoover. Actually, no impartial observer can state dog-

matically what kind of President Mr. Roosevelt would make. It must be remembered that his career as Governor of the State of New York must have been greatly influenced by his Presidential ambitions. In such a position there is a great temptation to be actuated by political expediency.

Anyone who listened to the acceptance speech of Mr. Roosevelt got an impression of aggressive liberalism, but upon calm second thought or a careful reading of the words of the speech it is an impression that does not stand up. The speech may be fairly criticized as to at least some extent demagogic in its reiterated appeal for "The Forgotton Man," but the appeal thus far is one of expedient political generalities. No specifically radical or destructive proposals have been voiced.

On the basis of the incomplete evidence now available, it appears likely that Wall Street fears of Roosevelt have been exaggerated. Even on the public utility issue Roosevelt can hardly be called a radical, especially when it is remembered that both party platforms call for Federal regulation of interstate utilities. Conversely, the more radical Democrats are quite likely to be disappointed in their expectations of Mr. Roosevelt. He has promised to make clear, before the election, his stand on every important question. The degree and manner in which this specific promise is carried out or evaded should throw much light on his candidacy.

Herbert Hoover

As for Mr. Hoover, little need be said in this article, for his first term as President supplies a basis of judgment on which any intelligent voter can formulate his own opinion. It is unquestionably true that Mr. Hoover has been a disappointment. He lacks the quality of leadership capable of inspiring political co-operation. He has been timid and evasive on many issues. On such an important matter as Prohibition, for example, the American people have never had a clear-cut expression of the personal opinion of their elected leader.

Like most of us, Mr. Hoover from the first consistently failed to realize the magnitude of the depression. This led, first, to the discredited policy of attempting to minimize adversity; second, to mistaken predictions as to early improvement; and, finally, to a series of more or less unrelated expedients as each depression crisis became acute.

To attack Mr. Hoover's record is easy, but the conditions he faces are most difficult. He has been tardy and ineffectual in the battle for governmental retrenchment, which is one of the few positive things the Government can do by way of depression relief. Only the unreasoning voter will blame him for the depression or for failing to hit upon some program which will give us a short cut to revival. There is no short cut.

To the advantage of Mr. Hoover, it is only fair to concede that, aided by the practical experience of office, he has grown in political stature in recent months. In his more recent battles with his opposition in Congress he has been increasingly alert and aggressive in his defense of the true public interest. His recent record unquestionably supports the argument of his admirers that the practical experience he has had will almost certainly make him more effective in a second term than in the first.

This may or may not be accepted by the country as a valid argument against the risk of making an unsettling change at this critical period. Only voters with preconceived opinions can make a final choice this early in the campaign. Only the campaign itself can give us any significant clues as to the actual crystallization of public opinion on leading issues. It is this crystallization of sentiment, rather than the declarations of the candidates, which will determine our political drift.

The current evidence strongly indicates that the trend of public opinion is toward a steadily increasing realism, toward a healthy cynicism regarding politicians and political remedies. The responsibility for this depression lies only partly upon government. It is more largely the result of an aggregate

of individual mistakes. Revival will come through the aggregate of individual adjustments. Whether Democrat or Republican occupies the White House next March, the country will survive and the painful cures now being applied through the natural workings of economic forces will ultimately bear the fruit of recovery.

Fifty Per Cent Off for Cash

(*Continued from page* 406)

The main difficulty lies in the lack of available funds. The companies whose obligations are available at the lowest levels are, in general, those that face near term maturities of debt which, in the present state of the investment market, it is believed they will be able to meet only with great difficulty, if at all.

Normal earnings of such companies may be ample to meet all requirements and, with a satisfactory bond market, no trouble would be experienced in refunding the debt at maturity. With such refunding operations out of the question at the present time the alternative, in many cases, appears to be receivership.

Let the bankers, then, forego market profits to be obtained through the operations of their bond pool and act in this emergency for the greater good of the country as a whole. Let them advance funds out of the capital of their newly formed corporation to companies which are in sound condition except for the necessity of meeting debt maturities beyond their ability because of market conditions.

These companies can then enter the market for the purchase of their own bonds, bringing about a retirement of their funded debt at low levels, causing an advance in security prices all along the line and, what is of vastly greater importance, achieving a degree of economic stability which will go far toward routing the enemy which is in our midst.

Let the bankers consider this opportunity for worthwhile service. The means for its successful operation are in their hands and they are the only agency through which the program can be effected.

The Reconstruction Finance Corporation is not empowered to make loans of this kind. Even though the law be amended, the fanfare of publicity which attends the acts of the corporation would defeat the project, serving notice upon the investment community as to exactly where the buying operations would focus and making impossible the obtaining of the bonds at the low prices now prevailing.

The functioning of the American Securities Investing Corp., on the other hand, is quiet and unobtrusive. Aid could be extended wherever it was considered advisable without publicity. The corporation receiving assistance could then purchase such bonds as were offered without having to bid unduly high for them, pledging the bonds purchased, together with other free assets, as security for the loan.

The banks would benefit in several ways. They would, directly or indirectly, put to work the excess reserves provided by the credit expansion program of the Federal Reserve Banks. They would, by augmenting the funds of the corporations, funds in themselves inadequate for the material reduction of funded debt through purchases, permit the use of such resources and thus place the corporations in a position of dependency on the banks for borrowings to meet seasonal requirements for additional working capital. They would restore confidence, increase bond prices to their own advantage, and enable open market refunding operations to be conducted again, a thing in many cases virtually impossible under present conditions.

Insurance companies and savings banks would benefit. These huge reservoirs of the painfully accumulated funds of the masses, with their vast holdings of corporate obligations, face a situation certain to become progressively more serious unless investment confidence can be restored.

And the nation would benefit because the restoration of confidence would be on a solid foundation—reduction of fixed charges and of the burden of debt with which our corporations are now saddled.

Branch Factories Abroad—A Fiasco in Over-Expansion

(*Continued from page* 403)

join associations, cartels, chambers of commerce, etc., and observe production curtailment schedules. They are under constant pressure to give up some of their American methods that are obnoxious to the trade including higher wages and greater productivity of workers. They even invite the contempt of their foreign rivals by supporting quotas and embargoes on imports from America.

On the other hand American plants are confronted by a loss of one element of their trade from the very fact that they have tried to sink their American identity. Some buyers of automobiles, for instance, want an American car because they believe in the superiority of American manufacture. They complain, whether with reason or not, that an American-type car made abroad is always inferior in some respects to the machine actually made in the United States. If they can't get a car made in America they will turn to some domestic machine. It is authoritatively stated that the preference for the American-made American car has been one of the reasons why many American automobile assembly plants in Europe are now shut down. Some of them have been completely liquidated, with losses running into millions of dollars. Others are idle or running only two or three days a week, their owners having a hope that by hanging on they may somehow escape the necessity of costly liquidation. Other groups of American brand-factory invaders are also finding that they would have been better off if they had stayed at home and contented themselves with foreign sales branches. Some of the factories will be abandoned—"temporary" suspensions will turn out to be permanent—although brave denials are made of any such intentions.

The seemingly logical motive of getting behind foreign tariffs has not turned out to be altogether convincing in practice. A branch does get the benefit of the tariffs of the country in which it is located but not in other countries. Any part of the British Empire is an exception to this statement to the extent that its products receive preferential tariff treatment in other British countries. There are not many countries with a sufficiently large home market to justify the establishment of an American mass production plant for that country alone, with the result that such plants are often over capitalized.

The Patent Racket

Patent and trade-mark considerations will always make for the establishment and maintenance of some branches. Foreign countries require that to maintain the validity of a patent, production under it must be realized. The American owner of a French patent, for instance, must either establish a factory or give rights to others to do so. The latter arrangement is frequently unsatisfactory, as the foreign operator under a patent license may acquire all the advantages of American experience and technique and thus become a competitor with the original American articles in other countries. Also, manufacture under a patent frequently indicates a way to get around it, after the license has expired.

The inveterate habit of many foreign manufacturers of imitating American

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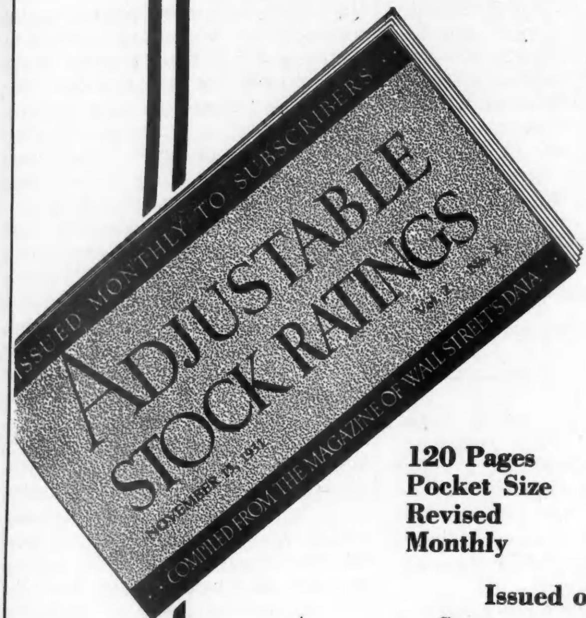

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goods that have become popular sometimes makes it necessary to establish a branch factory in order to hold trademark privileges and the advantages of an established reputation.

Rivalry between American firms is a multiplier of branch factories wherever the prospect for business is promising. It has bred branches that will have to be withdrawn.

The vanity factor has been smothered by the business depression. There will be no more branch factories in Europe on the keeping-up-with-the-Joneses plea or to enable a proud industrialist to refer glibly to "my French factory" or "my English manager." Indeed, there will be no more American branches created for any reason, except demonstration in the face of past experience and hard-boiled probabilities arising from particular conditions that the venture will be profitable. A peep into the accounts of companies with foreign factories, Canada generally excepted, would show that those factories are accumulating more red ink by far than the home plants.

While Americans have often gained little but costly experience by their foreign manufacturing adventures it must not be forgotten that their disappointment and losses abroad have been accompanied by community losses at home. They have employed fewer men here because they have given employment abroad and they have wasted capital reserves that are now sorely needed. Beyond that, their misadventures have contributed to a reduction of exports by competitors without foreign branches. Had they stayed at home our exports would have been larger and our unemployment less.

According to the Department of Commerce's report the exports of American products subject to competition with foreign branches roundly totaled 1,700 million dollars in 1929, which was 64 per cent of the entire export of American finished and partly finished manufactured goods. The total investment of American branches in these lines of production was 1,500 million dollars. That is to say that in at least some degree that much American-made wealth was being used to curtail American exports, production and employment.

This article is necessarily brief and it is impossible to dwell at length on the other side of the picture. The conclusion is inevitable, however, that American branches in foreign countries have been over-done, that many more of them will be liquidated, and that they have cut deeply into American export trade. Nevertheless, it may be expected that under certain favorable conditions new branches will be established when business activity is resumed. Further expansion depends largely upon the future course world trade takes. If self-containment continues to rule the roost, there will be new branches here and there. If the world, including the United States, turns to a more liberal attitude toward international trade, the incentive for branches will diminish.

We have not seen the end of the branch factory movement. But it will certainly be less inimical hereafter to fundamental American interests than it has been, and most of the future ventures will be individually sounder and more justifiable from the standpoint of earnings of the branching companies than in the past. As regards the investor, he will be advised to give far more attention than formerly to the factor of branch factories when studying the present situation and prospects of the securities of American companies with large foreign commitments.

Westinghouse Electric

(Continued from page 417)

However difficult it may be to appraise this prospect with entire accuracy, it is here alone that a sound basis of investment appraisal can be had, divorced both from the meaningless precedent of 1929 and the abnormality of a depression which, however extended, is temporary.

Accordingly, there are two considerations of analysis more important than the factor of current earnings. The first is the general outlook for the electrical equipment industry. The second is the position of Westinghouse in that industry.

The position and prospect of the industry are relatively good. Indeed, it is one of the few which gives no indication of having attained the status of economic maturity and which can be confidently regarded as having a future of potential expansion. This is truly the age of electricity and its uses have by no means been exhausted. Fundamental strength and stability are proven by the production and profit records of the public utilities, which are the largest customers of the electrical equipment companies. Consumption of electric power this year has ranged from 10 to 12% under the level of a year ago. When that recession is contrasted with the far greater percentage decline in railroad traffic, in steel production, in automobile production or in construction, the inherent security of the industry is strikingly emphasized.

Despite the lessened aggregate consumption of electricity, due to the depression, there are strong reasons for believing this is not only temporary but that the adjustments of depression may ultimately result in a period of faster than normal growth in consumption. Lured by advantages in cost and efficiency, thousands of new customers have been obtained by the utilities. There has thus been established an enlarged base on which normal business activity would greatly enlarge consumption, even without expansion of existing facilities.

We need not romance as to electric consumption a decade hence. It may conceivably be double that of today. The one thing certain is that in all present known applications of electricity for lighting and for power there is room left for expansion. Expansion can be counted upon from enlarged population, from the more thorough extension of facilities throughout territories not now fully exploited and from the conversion of customers—notably railroads and industrial establishments—from steam to electric power.

In this favored industry Westinghouse is a strong second to the outstanding leader, General Electric. There is ample room for both. In some respects General Electric is the stronger company, but from the point of view of possible security appreciation there are notable speculative advantages in Westinghouse. The chief of these is that only 2,586,181 shares of Westinghouse are outstanding, making for relatively volatile market fluctuation; whereas General Electric, as a result of repeated stock splits, has outstanding the enormous volume of 28,845,928 shares, making for ponderous market movement.

Corporations, like individuals, live and learn. Westinghouse has been in business since 1872 and has been tutored in the hard school of experience in more than one depression. Out of each depression in modern times it has emerged in stronger position. The difficult times of 1907 resulted in a reorganization in 1908. By 1912 dividends were restored on the common, to be maintained without interruption until the recent omission.

Thanks to the conservative nature of the reorganization of 1908 and the vast subsequent expansion of the electrical equipment field, Westinghouse weathered the depression of 1921 with flying colors. It is interesting, however, to compare its financial position then with the much stronger position of today.

In 1921 Westinghouse had funded debt of $36,275,000 and notes payable of $20,775,000. It now is indebted neither to bondholders nor banks. In 1921 the company had current assets of $135,000,000, of which 60% consisted of inventory; while current liabilities were $44,000,000, a ratio of

approximately 3 to 1. At the close of 1931 Westinghouse had current assets of $100,522,487, of which only 29% was inventory; while current liabilities were only $7,368,011, a ratio of nearly 14 to 1. In relation to its volume of business and capitalization, few companies are in stronger financial position or better fitted to endure and survive the ravages of the worst depression ever known.

This is not to imply that Westinghouse is in any sense immune to the depression. Its sales at present are severely reduced. They amounted in the first quarter of this year to $20,377,000, as compared with $28,476,000 in the first quarter of 1931. For 1931 sales amounted to $115,000,000, or slightly more than half of the record volume of 1929. It is probable that sales this year will fall under $100,000,000.

In adjusting itself to prevailing conditions the company has made substantial progress, although the results, so far as profits are concerned, remain largely negative. That is, losses have been cut down, despite a further shrinkage in sales. Thus, Westinghouse suffered a deficit of $2,885,945 in the first quarter of 1931 on sales of $28,476,000; while the deficit in the first quarter of this year was $1,320,148 on sales of only $20,377,000.

The magnitude of the company's problems, which perhaps consists even more of shrunken prices than of shrunken sales, can be realized from the fact that in 1922 Westinghouse showed net income of $5,837,389 on sales of only $99,722,026, whereas 1931 sales of $115,000,000 resulted in a deficit of $3,655,660.

Nevertheless, the record indicates a very substantial earning power under normal conditions. In the decade following 1921 the company grossed approximately $1,600,000,000, distributed to stockholders more than $88,000,000 in dividends and during the same period reinvested $62,000,000 in the business out of earnings. The organization is flexible. The management is competent, enjoying a high measure of good will both on the part of the public and Westinghouse employees. As with the majority of great corporations, extensive internal readjustments of operations have been accomplished, aimed at an increase of efficiency and a reduction of costs. These include salary revisions ranging as high as 30%, although the adjustment is on a sliding scale and may be reduced to 10% if and when earnings improve.

A dividend of $1 was inaugurated on the common stock in 1912 and was successively increased. From 1923 through 1929 $4 annually was paid. In 1930 the dividend was $5 and in 1931, $3.87½. Last March the rate was further reduced with a quarterly payment of 25 cents. In order that cash resources might be conserved, all payments on common have now been omitted.

Although this step could have been justified early in 1931, it has been taken in ample time to protect the company's very large reserves. As to the prospect for resumption of dividends, no answer can be given. A restoration of profits, despite internal adjustments, depends overwhelmingly on a revival in general business, although the efficiencies now effected no doubt can be expected to translate even a moderate gain in gross sales into a satisfactory profit margin. Under the circumstances, there need be no haste in the speculative accumulation of these shares. On the other hand, the existing high ratio of liquid assets per share should logically minimize further decline. For this reason scale-down accumulation of the stock during periods of market recession in coming months would appear to offer substantial long-term promise.

For Features to Appear in Coming Issues See Page 387

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1932 Price Range High	Low	Recent Price	Name and Dividend	1932 Price Range High	Low	Recent Price
Alum. Co. of Amer.	61⅝	22	24	Ford Motors, Ltd.	6⅛	2⅛	3
Alum. Co. of Amer. Pfd. (3)	67¾	33½	34⅝	Glen Alden Coal	22½	6	10
Aluminum, Ltd.	22	8¾	10¼	Goldman Sachs T.	3½	1	1⅜
Alum. Ltd., Cum. Pfd. (3)	25¼	23	23	Gt. A. & P. Tea n.-v. (6½)	150	103¼	123
Amer. Cyanamid B	5⅜	1⅝	2⅛	Gulf Oil of Pa.	35⅞	23	25⅝
Amer. & Foreign Pwr. War.	5	1⅛	1⅜	Hecla Mining	5⅛	2¼	2¼
Amer. Laun. Mach. (1.20)	7	8½	9¾	Hygrade Food Prod.	4	1¾	2⅜
Amer. Gas & Elec. (1)	39⅜	14½	17¼	Lone Star Gas (.64)	9¼	3⅜	3⅞
Amer. Superpower	4⅜	1⅛	1⅝	Nat. Sugar N. J. (2)	23½	10	18
Assoc. Gas Elec. "A" (Stk. 5%)	4¾	¾	1	Newmont Mining	14½	4⅝	6
Brazil T. L. & P. (8%) Stk.	13⅜	7	8⅜	Niagara Hudson Pwr. (New)	14¼	7⅞	8⅜
Central States El.	2⅜	⅛	⅜	N. J. Zinc (2)	26⅝	14½	24
Cities Service	6⅞	1¼	2⅛	Penroad Corp.	3¾	1	1¼
Cities Service Pfd.	53⅜	10	12	Salt Creek Prod. (1)	4¼	2⅞	4
Commonwealth Edison (5)	122	49½	55	St. Regis Paper	5⅜	1⅛	1⅝
Commonwealth & So. War.	¾	1/16	¼	Standard Oil of Ind. (1)	19¼	13⅛	18¾
Consol. Gas Balt. (3.60)	69½	37¼	42½	Standard Oil of Ky. (1.20)	15⅞	8⅞	9¾
Cord Corp.	8½	2	2¼	Swift & Co. (1)	15⅞	7	12¼
Deere & Co.	14⅞	3½	5¼	Swift Int'l (4)	26	10	20
Elec. Bond & Share (6% stk.)	32⅜	5	6⅞	United Founders	2⅛	1/16	⅝
Elec. Bond & Share Pfd. (5)	54	16½	19½	United Lt. & Pow. A	8¾	1¾	2¼
				United Gas Corp.	2⅝	⅝	1

Slightly Improved Demand Offsets Institutional Liquidation in Bonds

(Continued from page 407)

points. At this writing the market has again turned upward. It remains to be seen whether it can better the previous rally peak. If it should do so in convincing manner the effect should be a considerable strengthening of confidence.

To some extent recent political uncertainties probably will soon be relieved by the adjournment of Congress. The market does not so much fear what Congress does as what it may do and what its more irresponsible members threaten to do. In this respect, an early adjournment will constitute a much to be desired respite.

In some quarters it is expected that the adjournment of Congress may result in more active accumulation by the recently organized American Securities Investing Corporation, better known as "The Bond Pool." This is necessarily conjectural to a high degree. The corporation has just made an initial call upon its participants for $10,000,000, or 10% of subscriptions. This may or may not be to cover purchases already made. The real purpose of the "pool" being to serve as a stabilizing agent, there is little reason to expect it to lend much support to a market which at least for the present seems able to care for itself.

Appraisal of the precise importance of the settlement reached at the Lausanne Conference is difficult. In respect to German dollar bonds it is unquestionably of considerable importance. For all practical purposes, reparations are ended. This does not necessarily make private German obligations entirely safe, but it at least reduces the danger. That accounts for the recent advancing tendency and the wide scope of the rally—some of these bonds doubling in value as compared to the year's lowest quotations—no doubt is simply due to the extremely low level to which fear previously had carried them.

It is apparently the general view of the market that the Lausanne result is constructive. Yet it certainly has not effected any such immediate change in investment values as market prices would indicate. The fact is that all classes of foreign bonds have advanced sharply, including many not remotely related to the German situation. It would seem that a relatively modest amount of psychological encouragement in an over-sold market had worked wonders. No doubt the mere spectacle of wide advance in foreign issues has imparted a better tone even to domestic bonds.

Perhaps the outstanding conclusion to be drawn from the rebound in foreign issues is the evidence it supplies as to how ridiculously far American investment fear had been allowed to go. The average investor, of course, is not much to be blamed, for he has repeatedly been disturbed by one or another Congressman's ranting about the "worthless foreign bonds" foisted upon the American buyer.

The fact is that interest and amortization have regularly been maintained up to the present on the vast bulk of private European obligations. The chief sore spot—and this a relatively small one—is South America. The reference to "worthless" foreign bonds is all the more absurd when we note the official Stock Exchange listing figures as of July 1. On that date listed bonds of foreign governments had a total market value of slightly more than 11 billions of dollars and the average price was $67.61. The price now is somewhat higher. On the same date domestic industrial bonds could command an average quotation of but $50.97, while our domestic rail bonds sold at an average of $49.47.

Readers' Forum

(Continued from page 420)

private debts, would be preferable. It is by no means certain that this would prove sufficient in itself to end the depression. It is not certain that international payments are the root of the depression. It is necessary for us to feel our way. No irrevocable step should be taken under present conditions of uncertainty. It is open to question whether distrust is due so much to European inability to pay as to European unwillingness to pay. If it is possible to obtain payment for our foreign investments only by adjusting our scale of living downward in accord with the lower foreign standards, we might better charge off our losses to experience and begin now to do the best that we can to develop a self-contained prosperity.

The gold standard did not cease to function in 1929. It ceased to function during the war. Various leading countries did not go back to it after the war. Instead they adopted the untried expedient of the gold exchange standard, under which foreign balances were regarded as the equivalent of gold. It is this system which has broken down. The struggle throughout the world, whatever ultimate form it may take as regards the characteristics of individual currencies, is to get back to the gold standard.

For Features to Appear in the Next Issue See Page 387


LUCKY STRIKE
"IT'S TOASTED"
CIGARETTES